Nineteen Hundred & Ninety-nine

GREAT-WEST LIFECO INC. 1999 ANNUAL REPORT

TABLE OF CONTENTS

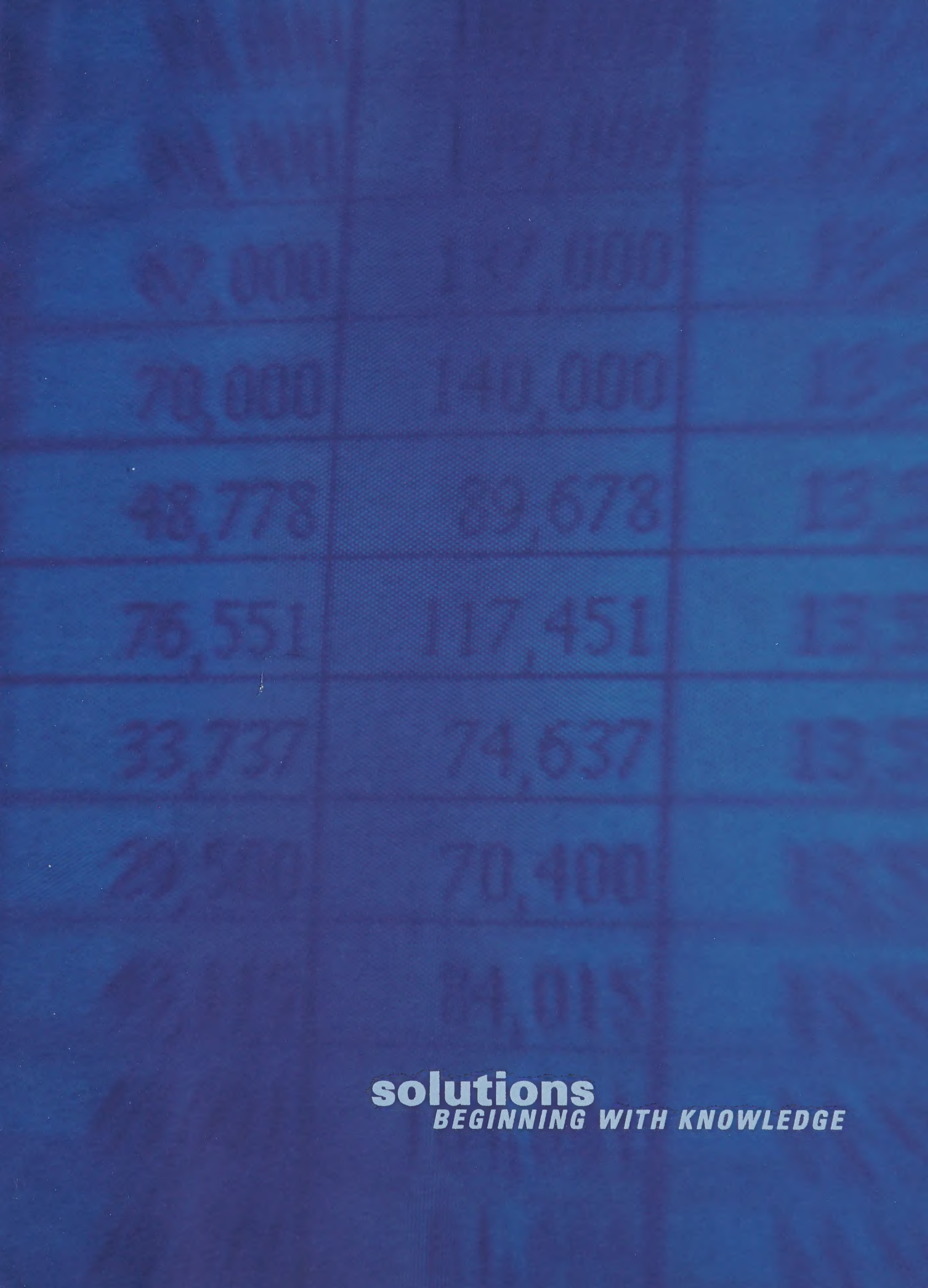

solutions
BEGINNING WITH KNOWLEDGE

TABLE OF CONTENTS


67,000
137,000
70,000
140,000
48,778
89,678
76,551
117,451
33,737
74,637
29,500
70,400
84,015

(in millions of dollars except per common share amounts)

	1999	1998	% Change
FOR THE YEAR			
Premium and fee income including risk premiums, self-funded premium equivalents and segregated fund deposits			
Life insurance	**$ 3,323**	$ 3,425	-3 %
Annuities	**6,373**	6,471	-2 %
Health insurance	**8,169**	7,197	14 %
Reinsurance	**2,023**	2,646	-24 %
Property & casualty insurance	**52**	44	18 %
Fee and other income	**1,222**	1,003	22 %
Net income attributable to:			
Preferred shareholders	**33**	36	-8 %
Common shareholders	**536**	437	23 %
Return on common shareholders' equity	**17.1 %**	15.4 %	
PER COMMON SHARE			
Net earnings	**$ 1.43**	$ 1.17	23 %
Dividends paid	**0.53**	0.44	20 %
Book value	**8.70**	8.12	7 %
AT DECEMBER 31			
Life insurance in force (face amount)	**$ 471,078**	$ 477,234	-1 %
Annuities in force (funds held)	**47,255**	43,936	8 %
Health insurance in force (annualized premiums)	**9,238**	9,309	-1 %
Total assets	**53,256**	54,725	-3 %
Segregated funds assets	**33,728**	28,394	19 %
Total assets under administration	**86,984**	83,119	5 %
Capital stock and surplus	**3,789**	3,548	7 %

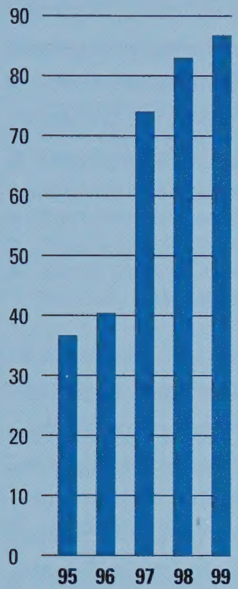
FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

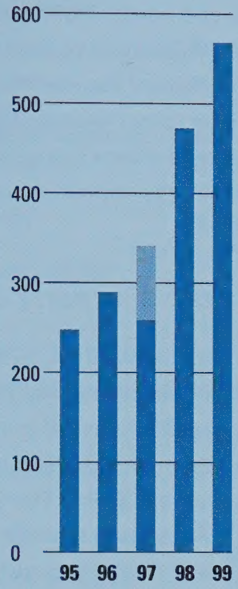
These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic conditions in Canada, North America or internationally.

These and other such factors should be taken into consideration when reading the Company's forward-looking statements.

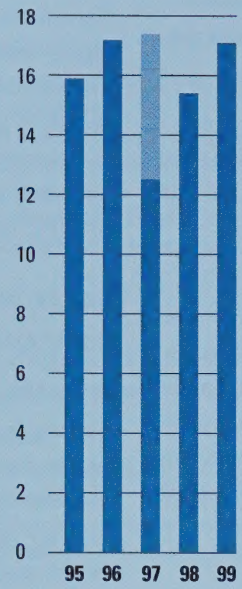
Assets Under Administration
($ billions)



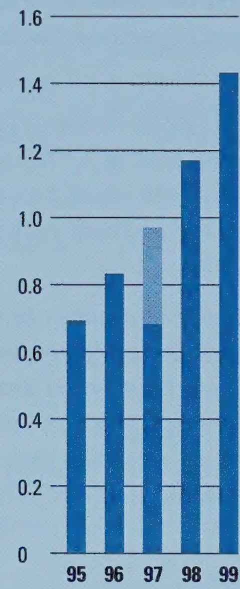
Net Income
($ millions)



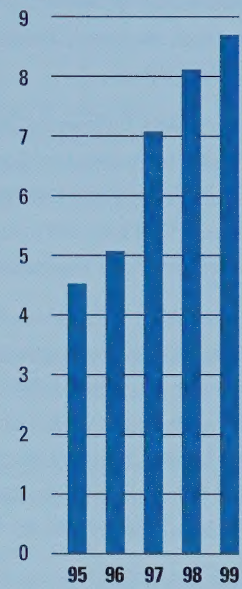
Return on Common Shareholders' Equity
(%)



Earnings per Common Share
($)



Book Value per Common Share
($)



Provision for integration costs

SIGNIFICANT EVENTS

CORPORATE

- Lifeco acquired the remaining outstanding common shares of Great-West Life and London Life.

CANADA

- Great-West completed the 18-month project of integrating and converting London Life's Group insurance business to Great-West administration systems.
- Great-West and Mackenzie Financial Corporation launched a series of 38 segregated funds, to be distributed through brokers and independent financial advisors across Canada.
- London Life and Great-West launched a new Group pension product, Envision, featuring the leading Web-based service site in the Canadian Group retirement market.
- London Life launched an exclusive family of 20 mutual funds – *LFC Group of Funds*.
- Great-West developed products for launch in two new markets in 2000 – *Sonata Health*™ benefit plans for individuals and families, and critical illness insurance.
- Great-West and London Life launched a series of service initiatives, including Web-based, voice response and call centre services and enhanced a number of current product lines.

UNITED STATES

- Great-West Life & Annuity (GWL&A) entered into agreements to purchase the Group health and life insurance businesses of Allmerica Financial Corporation and General American Life Insurance Company.
- One Health Plan of Georgia received National Committee for Quality Assurance accreditation.
- GWL&A established a partnership with Financial Engines, a registered investment advisor, to provide advice for 401(k) participants through the Internet.
- Financial Services piloted an innovative participant education seminar on retirement planning, which will be expanded in 2000.
- Employee Benefits developed a care management program allowing members with chronic diseases to manage their condition using the Internet and other educational services.
- Employee Benefits introduced new health care funding arrangements and a new 401(k) product line.

Great-West Lifeco Inc. is a financial services holding company with interests in the life insurance, health insurance, retirement savings, reinsurance and specialty general insurance businesses, primarily in Canada and the United States.

Lifeco was formed in 1986 to hold securities of The Great-West Life Assurance Company, and has a 100% voting interest in Great-West Life. Lifeco is not restricted to investing in Great-West Life common shares, and may make other investments in the future.

Great-West Life serves the financial security needs of more than 13 million people through its Canadian operations, including London Life Insurance Company in Canada, and through Great-West Life & Annuity Insurance Company in the United States. Lifeco and its companies have more than $86 billion in assets under management and $470 billion of life insurance in force.

THE GREAT-WEST LIFE ASSURANCE COMPANY

Founded in Winnipeg in 1891, Great-West is a leading life and health insurer in the Canadian market. The Company offers a range of life insurance, retirement savings and investment products for individuals, families, businesses and organizations. The Company markets its products in Canada through a network of Great-West and London Life representatives, and through brokers and marketing agreements with other financial institutions.

LONDON LIFE INSURANCE COMPANY

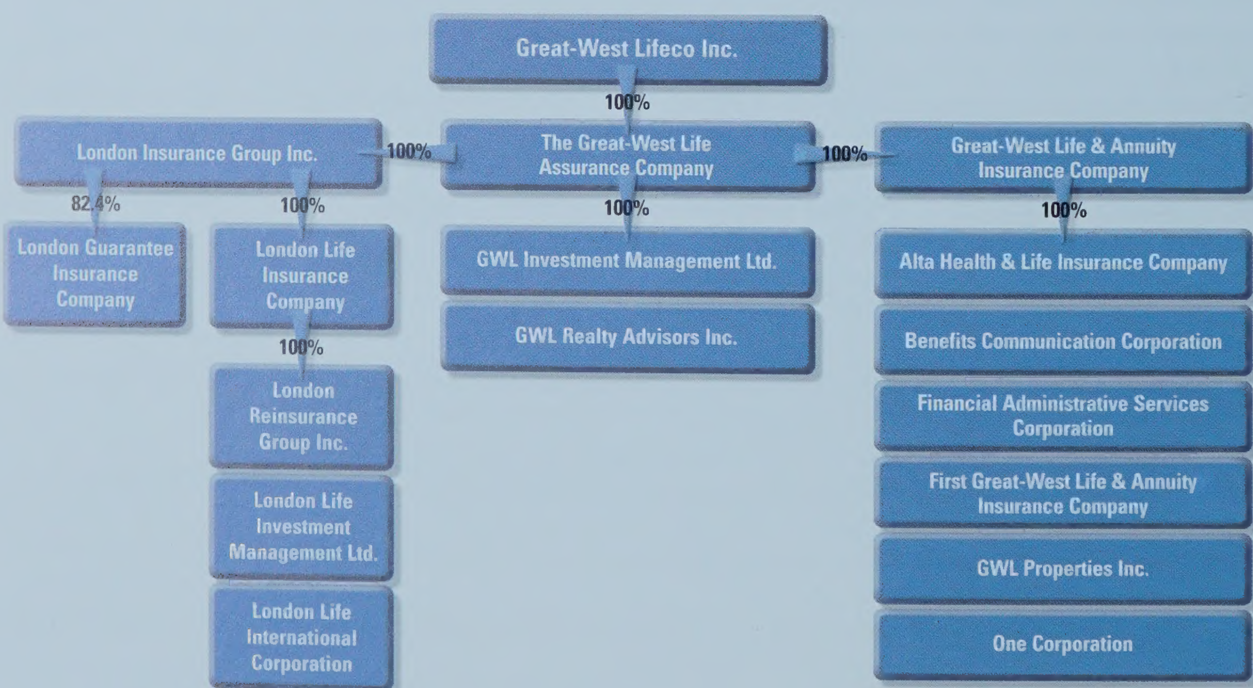
Founded in London, Ontario in 1874, London Life offers Canadians a broad portfolio of financial solutions under its highly recognized Freedom 55 brand, including savings and investments, retirement income, life insurance and mortgages. In addition to its domestic operations, the Company is a supplier of reinsurance in the United States, Europe and Asia, and is a minority partner in a life insurance company, Shin Fu, in Taiwan.

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

In the U.S., Great-West Life & Annuity is a leader in providing employee benefits for small to mid-sized corporations and in meeting the retirement income needs of employees in the public/non-profit sector. The Company serves more than 3.7 million Americans through a full range of managed health care, life and disability insurance, and defined contribution plans marketed through brokers and group representatives, and through marketing agreements with other financial institutions.

POWER FINANCIAL

Lifeco is a member of the Power Financial Corporation group of companies.



Our major business units in Canada are:

GROUP INSURANCE – develops, markets and services life, health and disability insurance products for Group insurance clients with 3 or more employees.

Products and services

- Life and accidental death and dismemberment insurance
- Short and long-term disability insurance
- Drug/dental/vision coverages not provided by Medicare
- Employee assistance plans
- Flexible benefit plans
- Benefit plans for individuals and their families

Distribution

- 750 Great-West and 2,700 London Life representatives
- 3,600 Investors Group representatives
- independent brokers and benefit consultants
- supported by 200 sales and service representatives in offices across Canada

Statistics*

- 23,000 clients
- covers more than 8 million plan members and their dependants
- 19% share of the Canadian Group life and health insurance market

INDIVIDUAL INSURANCE AND INVESTMENT PRODUCTS – develops, markets and services life and disability insurance products for Individual clients as well as retirement savings and income products for both Group and Individual clients.

Products and services

- Participating & non-participating life insurance
- Disability insurance
- Segregated funds
- Registered & non-registered savings & income products

Distribution

- 750 Great-West and 2,700 London Life representatives
- 3,600 Investors Group representatives sell Great-West life and disability products
- 11,000 independent brokers and agents of corporate partners sell Great-West disability insurance
- all producers are supported by 300 product specialists

Statistics*

- 1.7 million insurance clients
- 500,000 individual fund clients
- 22% market share for Individual segregated funds
- 25% market share for Group segregated funds
- 24% market share for life insurance in force

REINSURANCE AND SPECIALTY GENERAL INSURANCE, INTERNATIONAL OPERATIONS – reinsurance products, including life, property and casualty, accident and health, and annuity; and specialty general insurance in specific niche business markets. Distributed in Canada through independent brokers and in the United States and Europe through staff of London Reinsurance Group and independent brokers. Individual life and health insurance is distributed in Taiwan through Shin Fu representatives.

Our major business units in the United States are:

EMPLOYEE BENEFITS – life, health, disability insurance and 401(k) products for small to mid-sized corporate employers.

Products and services

- Life, health, dental and disability insurance
- Managed health care programs
- 401(k) savings products and rollover IRA products
- Flexible benefits accounts

Distribution

- 900 sales and service staff of Great-West Life & Annuity
- New England Financial
- Alta Health & Life Insurance Company

Statistics*

- 2.1 million medical members
- 500,000 401(k) members
- 12,800 customers
- one of the 10 largest managed care companies in America

FINANCIAL SERVICES – accumulation and payout annuities for Group and Individual clients, life insurance products for individuals.

Products and services

- Employer-sponsored, tax advantaged retirement products
- Private label annuity products
- Corporate-owned life insurance
- Communication & enrollment services
- Administration and recordkeeping services for financial institutions

Distribution

- Marketing agreements with financial institutions
- Independent marketing agencies
- BenefitsCorp
- FASCorp
- Clarke/Bardes Inc.

Statistics*

- 850,000 public/non-profit participants
- 250,000 FASCorp third-party participants
- #1 market share in state government deferred compensation plans

* *at December 31, 1999*

1999 was a year of strong earnings growth and continued expansion for Great-West Lifeco and its subsidiaries.

Earnings for common shareholders grew 23% over 1998, to $1.43 per share, reflecting increases in earnings from our Canadian and United States operating subsidiaries.

Premium income was essentially unchanged over 1998. Growth in the health insurance business in the United States was offset by reductions in premiums from the Canadian reinsurance business, which is not unusual given the irregular nature of premiums in this line of business. Fee income continued its pattern of strong growth in both countries, increasing 22% over 1998.

Total assets under administration reached nearly $87 billion, an increase of 5%. Our asset growth was fueled by a 19% increase in segregated funds assets. General funds assets were down a net 3%, impacted by the translation of the U.S. dollar denominated assets of our United States operating subsidiary at a stronger Canadian dollar conversion rate.

Each year since 1994, we have increased dividends to common shareholders. We were pleased to continue this pattern in 1999, increasing dividends paid by 20% during the year.

JAMES W. BURNS, *Chairman of the Board, Great-West Lifeco Inc.*

We also moved to acquire the minority interests in our Canadian subsidiary, The Great-West Life Assurance Company, and its subsidiary, London Life Insurance Company. As a result of two separate offers, Lifeco now directly owns 100% of Great-West Life's common shares, and indirectly owns 100% of London Life's common shares. The offers involved the acquisition of 1.8% of London Life's common shares and 0.4% of Great-West Life's common shares. The acquisition of these minority positions was undertaken because it became apparent that the most logical investment for shareholders was at the Lifeco level. As well, the offers provided desired liquidity to the minority shareholders of both entities, streamlined our organizational structure and offered some administrative benefits.

Our success in realizing the benefits of the 1997 acquisition of London Insurance Group in Canada and the 1998 acquisition of Anthem Health & Life Insurance Company in the United States (now Alta Health & Life Insurance Company) is reflected in two key performance measures. Lifeco's return on equity, at 17.1%, is an above average return for the financial services industry. Great-West Life's Minimum Continuing Capital and Surplus Requirements ratio increased to 210% – a very solid level for the industry – reflecting a combination of operating performance and in-year capital activity. As well, Lifeco's operating subsidiaries continue to receive superior ratings from the major rating agencies.

DEVELOPMENTS

We continue to view acquisitions as the best way of supplementing natural growth and achieving the growth necessary to remain competitive in our North American markets. This year, we further expanded our market position in the United States through two acquisitions.

In October, Lifeco's United States subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), entered into an agreement to purchase the Group life and health business of Allmerica Financial Corporation. Over the course of

the next year, we expect this acquisition will add approximately $1.2 billion of equivalent premium income and 300,000 medical members to GWL&A's business.

In November, GWL&A entered into an agreement to purchase the Group health and related products business of General American Life Insurance Company. This business adds $2.5 billion of premium and equivalent premium, and over 900,000 medical members.

Together, these acquisitions will boost the number of Americans enrolled in health care programs managed by GWL&A by over 50%. The acquisitions complement GWL&A's market focus and, along with Alta Health & Life Insurance Company, make GWL&A one of the largest managed care companies in the United States.

Lifeco's Canadian operations continued with the integration of Great-West and London Life's business units. Total Canadian operating expenses, including investment expenses, declined by 11% or $85 million in 1999. In the two years since the acquisition of London Life, total Canadian expenses have declined 19% or $161 million from comparable 1997 levels, exceeding our benchmark for expense synergies of $150 million. At the same time, Great-West has maintained its commitment to high quality service for clients.

By mid-year, Canadian operations had successfully completed the 18-month process of converting London Life's Group insurance business to Great-West administration systems. More than 10,000 Group insurance cases were converted – an accomplishment we believe is unparalleled in the Canadian Group insurance market. With a market share of nearly 19% and over 23,000 clients, Great-West is the largest Group life and health insurer in Canada.

With the majority of the integration work now complete, Canadian operations will turn their full attention to ongoing productivity enhancements and profitable revenue growth.

DELIVERING SHAREHOLDER VALUE

Demutualization captured the headlines in media on both sides of the border in 1999.

The trend to demutualization is a reflection of the consolidation that continues to ripple throughout the industry. In a competitive and consolidating industry, there are few strategic alternatives for survival and success. Companies can either achieve critical mass in terms of market share, or carve out a profitable niche in which they can be dominant.

In either case, companies cannot prosper for long without a large share of their chosen markets. In this environment, it's not surprising that mutual life insurance companies are embracing demutualization.

Life insurers who are demutualizing are doing so, in part, to gain strategic advantages that Lifeco already enjoys. Access to the public capital markets and a common share capital structure enable us to respond quickly and effectively to market changes, through such initiatives as our acquisitions in Canada and the United States over the past two years.

Access to public capital markets and a common share capital structure is not a destination. In the long run, the market evaluates all public companies on their growth, their financial performance and on their effectiveness in using capital to produce superior returns for shareholders. In all these respects, Lifeco has a long and healthy record.

OREST T. DACKOW, *President and Chief Executive Officer, Great-West Lifeco Inc.*

Dividends paid per common share in 1999 were 2.6 times that paid five years ago, while earnings per common share and book value per common share have each more than doubled. Lifeco's return on equity, which compares favourably to the chartered banks, sets a benchmark for the life insurance industry in Canada.

At the end of 1999, the market price of our common shares was below the record level established in the first quarter of the year. Nonetheless, the price of our common shares ended the year at quadruple the price of five years ago.

We continue to manage our businesses to achieve sustained growth to the benefit of our customers and our shareholders, employees and representatives.

RISING TO THE CHALLENGE

The past two years have been years of unparalleled growth for Lifeco and its operating subsidiaries. During this time, our financial results have been strong, and we've continued to provide solid value for Lifeco shareholders. This is a tremendous credit to our people, who continue to lead us to success through their hard work, innovative ideas and dedication to serving our customers. On behalf of the Board of Directors, we thank the staff and sales representatives in all our operations, and extend our appreciation to our customers and shareholders for their continued support.

J.W. Burns

James W. Burns
Chairman of the Board

O. T. Dackow

Orest T. Dackow
President & Chief Executive Officer

solutions
BEGINNING WITH KNOWLEDGE

The pursuit of knowledge and understanding has accelerated the discovery of solutions for centuries. This quest for information is shaping the financial services industry like never before – demanding an unprecedented level of expertise and communications skill. As an industry, we are on the threshold of a new beginning. As an organization, we benefit from having a history in which learning and discovery have always played a prominent role.

While we can draw strength from our past, we are most concerned with charting the course that will lead our clients securely into the future. It is a journey driven by higher expectations, advances in information technology, product convergence and globalization.

To be successful, we must equip consumers with information to help them make choices and discover solutions for their financial future.

Great-West Lifeco's companies will lead the way – by turning information into knowledge and knowledge into performance – for consumers, businesses, and shareholders.

consumers
A JOURNEY OF UNDERSTANDING

Nearly 70% of Canadian consumers are looking for a guide to help them on their journey towards financial security. They want an advisor who can help them select from a wide array of increasingly complex products and services, from insurance and investment needs to retirement, tax, estate and succession planning. The challenge is to find a qualified advisor with access to all of these specialized areas of expertise.

We work hard to equip our financial security representatives to provide our customers with this level of qualified advice and counsel. Our model for career success has made us the premier choice for people considering a career as a financial security representative. This model provides representatives with a strong foundation of support that is consistent with their experience and goals; a broad range of financial security products that includes house brands and strategic alliances with other providers; compensation that encourages a life-long commitment to clients; and technology that facilitates solutions for a variety of client needs.

RAYMOND L. McFEETORS, *President and Chief Executive Officer, The Great-West Life Assurance Company*

LOCAL RESOURCES

Our Resource Centre model offers a unique solution for meeting clients' expectations of specialized expertise. Representatives who sell Great-West or London Life products can consult with product specialists – in disability insurance, life insurance, retirement and investment services and benefit plans for small groups – in Resource Centres and Regional Offices across Canada. These product experts provide technical information and support to help representatives design the best solution for their clients.

Great-West and London Life representatives also have access to a team of tax and estate planning consultants. This group of highly skilled accountants and lawyers works in partnership with representatives to provide specialized tax and estate planning advice to business owners, professionals and affluent customers.

The team can advise clients on minimizing the impact of capital gains tax liabilities; developing business succession strategies; planning to attract and retain employees and executives; or realizing the value of a business at death, disability or retirement, among other advanced financial security needs. In 1999 there were 16 consultants located in centres across Canada – triple the number of two years ago.

SUPPORTING LIFE-LONG LEARNING

To help representatives keep on top of emerging financial needs and solutions, Great-West and London Life host educational conferences. Representatives pay their own way to these forums for sharing ideas and developing skills. In 1999, London Life's first Insurance and Investment Strategies conference attracted nearly 600 representatives. In 2000, Great-West hosts its fourth National Disability Insurance Congress, open to all representatives who have an interest in building their disability insurance business.

1999 marked the 17th year of London Life's celebrated Freedom 55 brand. A new advertising campaign drew positive media coverage and recognition that Freedom 55 is truly part of Canadian culture.

Professional development opportunities like these equip representatives to provide advice throughout a client's life cycle – 30 to 50 years or more, as life spans increase. We also recognize the value that a representative brings to long-term client relationships through our compensation system. Great-West representatives can build equity in their business through vesting which entitles them to future commissions and service fees for their block of business. In 2000, we're introducing life insurance vesting to London Life representatives, who already enjoy the benefits of vesting for other product relationships.

Another source of expertise is the home office staff of London Life and Great-West, who play a critical role in helping representatives stay abreast of industry developments and what they mean for our clients. In 1999, this helped representatives give clients a more balanced picture of a popular investment trend. Our research on currency risk and foreign investment revealed that foreign investment in 1999 involved higher risk and lower returns than many clients understood. Armed with this information, clients were in a better position to make investment decisions based on their long-term goals, rather than on current fads.

TECHNOLOGY – A FUTURE OF SOLUTIONS

It's not enough for information to be available – it must be available when and where representatives need it. Representatives need go no further than their computer for current technical and sales information. We've launched two new extranets – London Life's *RepSite* was introduced in 1999, while *Your Key Connection,* designed for Great-West representatives, went live in 2000. Both of these secure Web sites serve as one-stop centres for technology and client information, marketing and reference materials, software and industry news.

Great-West was one of the first insurers to encourage and assist representatives in using notebook computer technology to help clients determine their financial security needs and investment strategies. In 1999, we expanded notebook technology throughout the London Life sales force, with needs analysis, product illustration and asset allocation software for use in client presentations wherever and whenever it is most convenient for the client. To ensure client information is accurately and efficiently captured, software such as *E-app* – London Life's new electronic insurance application – shares information with other software used by the representative.

In 1999, we added a powerful new needs analysis sales presentation for disability insurance. Representatives use the sales presentation in conjunction with our disability insurance illustration software to help clients assess their financial risk and identify which product solutions best meet their needs. Consumers can also visit *Online DI,* our disability insurance Web site, launched in 1999. The Web site introduces visitors to the need for disability insurance and the types of products available from Great-West.

We completed centralizing customer service and administration for London Life clients in 1999. Through *ServiceLink*, customers have the convenience and flexibility of conducting basic transactions over the phone with the assistance of a customer service representative.

STRATEGIC ALLIANCES BUILD ON STRENGTH

In addition to fostering a life-long relationship between representatives and clients, we've developed specialized expertise that we market through strategic alliances with other financial organizations.

Great-West has established an industry reputation as an expert in disability insurance, with products designed for the specific needs of business owners, professionals, executives or employees. These products are marketed by ten corporate partners, including London Life and Investors Group, who account for more than 50% of our disability insurance sales.

Great-West entered a new distribution channel as we teamed with Mackenzie Financial Corporation to launch a series of 38 segregated funds. These funds will be distributed through brokers and independent financial advisors across Canada. Building on our experience as a leading provider of segregated funds, this new line will offer a number of advantages over mutual funds, including maturity and death benefit guarantees, potential creditor proofing, estate planning benefits and no deferred commission or redemption fees on death benefits.

In all, over 17,000 brokers, agents and financial representatives market various Great-West products – including the independent financial security advisors associated with Great-West, and the exclusive distribution systems of London Life and Investors Group.

business

UNDERSTANDING THE VALUE OF KNOWLEDGE

The impact of the information age is even more evident in the types and level of service being demanded by – and delivered to – our business clients.

Employers and employees alike are becoming much more knowledgeable about their benefit and retirement plans. As a result, they expect more from the information, service and solutions they receive.

Employers and benefit consultants have long relied on the experience and knowledge of our Group insurance and Group pension representatives to help them get the most out of their plans for their business and their employees. We're continuously expanding the resources these representatives have to put to work for clients.

MORE FOR PLAN MEMBERS

More than ever, we are in direct contact with members of Group insurance plans – by phone, e-mail, fax, Web site and paper.

In the past five years, calls to our health and dental client service lines have increased 150%. At the same time, the call duration has increased by 14%, as more knowledgeable callers ask more detailed questions and expect answers on the spot.

As a result, the face of our health and dental *Customer Contact Centre* is also changing. Customer service representatives, many of whom have college or university degrees, now specialize in specific types of benefits so they can develop the in-depth knowledge to handle complex questions. The name *Customer Contact Centre* is also new, and more accurately reflects the way in which we do business today.

IN TOUCH ONLINE

Online service is proving to be the most efficient way to interact with our clients, offering them an unbeatable combination of immediate service and access to information on a cost-effective basis. It also facilitates long-term relationships by making it easy for clients to keep doing business with us.

Envision, our new Group retirement product introduced in 1999, features the leading Web-based service site in the Canadian Group retirement market. Plan members can do common transactions for themselves – including moving money to investment options, changing investment instructions, and generating statements for any past date, 24 hours a day, any day of the year. Plan members can also access information through our voice response phone system and Customer Service Centre. *Envision* also includes our award-winning retirement guide. Updated in 1999, the guide walks employees through the A to Z of retirement. It sets what we believe is a new Canadian standard for employee education on retirement.

In Group Benefits, the most widespread use of online service is in claims submission and adjudication. We receive 50% of drug claims and 40% of dental claims electronically while the plan member is in the pharmacy or dentist's office. That's an increase of 30% over 1998, and represents nearly five million claims.

Great-West's share of the Group insurance market is nearly twice that of its closest competitor, and we manage one out of every four Group retirement plans in Canada. As a market leader, we have the scale to invest in service technology and keep our costs competitive.

Great-West's industry leading system, *GroupNet™*, allows Group insurance clients to combine ease of administration with access to a wealth of information about their benefit plan through secure Internet technology. Along with providing online access to our billing and enrollment systems, *GroupNet* allows clients to access reports on the claims history and performance of their plan and see comparisons with norms for their peer group.

Enhancements to *GroupNet* in 2000 will further improve our online enrollment facility to enable customers to enroll employees and their dependants in their benefit plans in real time to help ensure we receive timely and accurate information. In 2000 we'll also expand this client-friendly system to *Selectpac™* small business clients.

We've streamlined our *Client Import* system for large Group insurance clients. We can now import plan member information we receive electronically from clients directly into a variety of our administration systems, eliminating paper, reducing the potential for errors, and enhancing the quality of data. In 2000, we'll enhance *Client Import* further, to allow each dependant to be enrolled electronically. That helps us accurately track eligibility for claims – a critically important feature for clients using online claims adjudication systems, such as pay direct drug cards.

Our extensive databases also help us ensure that our plan design and pricing keep pace with the societal and economic trends that affect who uses benefits and how much they use.

SPECIALIZED INVESTMENT ADVICE

Our Group pension, institutional and individual clients have also come to rely on us for expert fund management, investment and specialized advisory services. Our strong in-house investment capabilities, which are provided through GWL Investment Management Ltd. (GWLIM) and London Life Investment Management Ltd. (LLIM), are complemented by a network of carefully selected and monitored external fund advisors. This exclusive combination has made it possible to offer a wide array of funds to our Individual, Group and institutional clients and has helped us become a leader in the segregated fund market in Canada. In addition, GWL Realty Advisors provides management for our internally-managed real estate funds, and real estate management and advisory services for large institutional clients.

Through GWLIM and LLIM we offer a full range of investment services across a broad range of asset classes including fixed income, equity and balanced fund mandates. Assets under administration have grown tremendously reaching nearly $16 billion in 1999. In addition to segregated fund management, in 1999 LLIM began managing four new mutual funds launched as part of the expansion of London Life's exclusive family of mutual funds – the *LFC Group of Funds.*

Realty Advisors has grown to become the largest real estate investment advisor in Canada, managing nearly $4 billion in assets. More than 200 employees in five regional offices are engaged in comprehensive asset, development and property management services. The team has extensive experience across all property sectors including office, multi-residential, industrial and retail. Realty Advisors provides specialized advisory services to pension fund and institutional clients, tailoring its services to meet each client's specific investment needs and risk tolerance.

REINSURANCE – TAILORING SOLUTIONS TO MEET CUSTOMER NEEDS

Our reinsurance business – London Reinsurance Group – is another example of putting specialized expertise to work for clients, in this case by creating unique reinsurance solutions for each client. LRG's team of highly-specialized under-writers and actuaries emphasizes developing long-term, stable relationships with clients, and is structured to quickly adapt to, and take advantage of, new opportunities.

In 1999, LRG introduced *Adverse Development Covers,* designed to manage risk in companies undergoing mergers and acquisitions. This product capitalizes on LRG's experience and adds to its portfolio of property and casualty reinsurance solutions, including finite catastrophe excess of loss, finite aggregate stop-loss, and some more traditional retrocession.

LRG has also developed strong expertise in the growth areas of equity-indexed annuities, investment fund guarantees and life financial reinsurance, where we help companies introduce new products, manage surplus and financial requirements and finance initial expenses.

CHOOSING KNOWLEDGE AND UNDERSTANDING

In the past, financial services was about choice. Clients wanted, and received, choice in the form of new financial tools available from a variety of sources.

Today, it's no longer just about having choice. It's about equipping people to make choices, whether for their business or family. It's about turning information into knowledge – and knowledge into value.

Answering the call for information with meaningful advice and a long-term commitment to bring value to our clients will be the focus for Lifeco's Canadian subsidiaries in the new age.

product HIGHLIGHTS FROM 1999

- *BOSSplus, new in 1999, is personal disability coverage that offers a built-in cash flow benefit to help business owners get over the financial hurdles they can face on returning to work after a lengthy disability. It complements business coverage available through our overhead expense, buy-sell and key person disability insurance plans.*
- *Great-West's new optional segregated fund guarantee – which provides clients with up to 100% maturity guarantees 10 years beyond the deposit period – gives clients a cost-effective means of enhancing the security of their long-term investments.*
- *London Life expanded its mutual fund capacity during the year, and now offers 20 mutual funds through an alliance between Scudder Canada Investor Services Ltd., MAXXUM Fund Management Inc. and Investors Group Inc. As well, through their London Life or Great-West representative, consumers have access to more than 40 segregated funds.*
- *Great-West and London Life introduced Preferred Term insurance, offering preferred rates for clients with lower lifestyle and medical risks.*
- *Envision – a comprehensive new pension product for groups – offers 100 investment choices with 16 fund managers, and service through our Web site, voice response system and Customer Service Centre.*

In 2000, we will enter two new markets:

- *Sonata Health™ offers health and dental benefits for the growing number of Canadians who are looking for a benefit plan for themselves and their families. Sonata Health includes a comprehensive counselling and wellness program, previously only available to Group clients.*
- *We'll introduce a critical illness product to complement Great-West's disability insurance plans. Critical illness plans combine protection and flexibility by providing a lump sum payment following diagnosis of a covered illness. The money can be used for anything from supporting a family to accessing experimental treatments.*

beginning
A NEW ERA OF UNDERSTANDING AND SOLUTIONS

At Great-West Life & Annuity, we are ready to meet the future – with the products, services and experience to provide knowledgeable, effective solutions for our customers. To this end, we have continued to develop customer support systems and services that balance the efficiency of new technology with the importance of specialized, personal service.

On our journey toward the 21st century, we have seen explosive growth in both of our operating divisions – **Employee Benefits** and **Financial Services**. The swiftness of this voyage has not sacrificed the care or concern for customers we already serve. Instead, we have focused on key target markets where we continue to deliver the best value and expertise – health care and employee benefits, retirement services, Individual insurance and annuities.

While the opportunities of this new era capture our imagination, we know that to be successful, we will need to continue to stay focused – on our customers, our capabilities, our competitive position and our people.

employee benefits
LISTENING CAREFULLY TO CUSTOMERS

GWL&A is one of the largest managed care companies in America. We operate in all 50 states with local sales, benefit payment, and One Health Plan offices that serve 2.1 million health members and over 500,000 401(k) participants.

Our belief that a healthier, more knowledgeable member population is key to success has compelled us to deliver services in new ways. We have embraced our customers' desire to be more educated about, and in control of, their health care and benefit plans. By doing so, we have helped to create a population of customers who understand the choices available to them – in the management of their own health and health care plans as well as in their funding arrangements.

MEETING THE FUTURE WITH FLEXIBLE SOLUTIONS

Our success in the employee benefits industry is a direct result of staying focused on our target market of small to mid-size employers. Our self-funded, multi-option health plans give employers a cost-effective alternative to traditional, fully insured health coverage. Through GWL&A's funding arrangements, employers pay only the actual health care costs and administrative expenses of their employees. This can result in significant savings, which many companies use to expand their benefit offerings by setting up 401(k) plans for their employees.

WILLIAM T. McCALLUM, *President and Chief Executive Officer, Great-West Life & Annuity Insurance Company*

In 1999, we revamped our entire Employee Benefits product portfolio. For health care, we built on our expertise in self-funding and introduced a new, simplified funding arrangement featuring convenient monthly payments. Employers have responded favourably to the fact that they can now budget for predictable health care expenses each month, and participate in the claims experience of the plan.

We also introduced a new 401(k) product line, a new rating system and variable and non-variable pricing choices. These changes provide our customers with an even greater choice of retail funds, flexible pricing and a brokerage window, which gives investors access to more than 1,700 mutual funds – an attractive feature for the more sophisticated investor. Our 401(k) plans continue to grow in popularity as employers look for competitive products with high-quality investments and value-added Internet services.

IMPROVING HEALTH WITH CARE AND UNDERSTANDING

Health Maintenance Organizations (HMOs) have for years been an effective means of providing quality health care while controlling costs. Today, however, quality care means more to members than just receiving timely, appropriate treatment. It means being educated on how to maintain healthy lifestyles.

Since its inception in 1995, One Health Plan has been dedicated to providing wellness and preventive health programs that improve the well-being of our members. Since then, we have introduced initiatives that positively influence our members' quality of life. These include a maternity management program, immunization reminders for new parents, and communications encouraging OB/GYN exams and mammograms for women and prostate screenings for men.

We recently introduced a revolutionary care management program. Members with chronic diseases such as asthma and diabetes can monitor their health via the Internet and manage their condition through education programs and services offered by One Health Plan. In 2000, we'll expand our disease management programs to include cardiovascular disease, now the most common health problem Americans face.

** according to E-OFFERING survey, July 1999*

We take our commitment to quality seriously, and were very pleased when One Health Plan of Georgia received a two-year new plan accreditation from The National Committee for Quality Assurance (NCQA). Earning this accreditation shows One Health Plan is holding itself accountable to the highest quality standards in the managed care industry. In 2000, One Health Plans in Colorado, Florida and Tennessee will be reviewed by NCQA.

With any health plan, members want the reassurance that medical decisions are sound and have their best interests in mind. To complement our internal medical review process, we've made available the services of Medical Care Management Corp., an independent, third-party organization that provides neutral, expert analysis of treatment requests. One Health Plan abides by the decisions made by this third-party review organization.

PEOPLE AND TECHNOLOGY DELIVERING SOLUTIONS

Meeting clients' increased demands for access to plan information has driven GWL&A to develop a number of online business solutions. As a result, GWL&A was listed in the top 10 of the most progressive insurance companies in delivering business solutions through the Internet.* In 1999, we introduced online plan administration services for health and 401(k) benefit administrators. We are the first employee benefits provider to offer Web-based plan administration to employers with as few as 20 employees. Now employee benefit administrators can go online to check an employee's eligibility, add and update participants, order identification cards, obtain financial reports, and much more.

Our 401(k) members can do everything online from enrolling to daily account management. Our health plan members have access to a secure member site that allows them to view their family health, drug and vision benefits including co-payments, deductibles and primary care providers. Access to our national provider database and health education library is also available through the member site.

The scale of our operation makes it possible for GWL&A to deliver leading edge technology solutions at an exceptional value to customers. A new, state-of-the-art claims system will be available to customers in the year 2000. New Web

A healthier population is happier, more productive and reduces the cost of medical care. This is an objective we all share.

services will provide customers with even greater convenience, including online enrollment, the ability to search claims status, and automated provider referrals.

Technological enhancements will allow us to deliver a new level of member-based health care services. Through a new care management model, claims and customer service inquiries will be directed based on the need of the member, allowing One Health Plan to align its staff of medical professionals with members requiring a higher degree of medical care. Through this new service model, members with routine claims and service inquiries will be given quick and efficient access to information through an interactive phone and Web-based system. Members requiring more complex treatment, such as trauma care or help with chronic conditions, will be put in direct contact with a medical care manager who is knowledgeable about their health background and is able to guide them through the various facets of medical care.

We'll be introducing other new products and services to help our corporate customers develop a competitive edge. For health care administrators and their employees, our new open access plan gives members greater flexibility in physician selection. Our 401(k) participants will enjoy additional investment advice through a partnership with Financial Engines, a registered investment advisor providing services through the Internet. In the past, this sophisticated type of information was only available to the largest pension funds and investment firms.

Finally, in 2000 we'll be introducing new licensed HMOs in Kansas, Missouri and Pennsylvania, for a total of 18 licensed HMOs throughout the United States.

financial services

DOING THINGS RIGHT

As the landscape of financial services continues to change, so do our customers. They have become increasingly sophisticated and want competitive prices, greater accessibility, expanded choices and superior service. Most importantly, they want to become more knowledgeable and ultimately, more in control of their financial affairs.

Understanding our customers' need for knowledge will continue to be the key to success in the 21st century. The greatest asset we can employ to meet this need is our ability to listen to and interact with our customers to provide targeted, meaningful advice.

The three businesses within our division – public/non-profit (BenefitsCorp), FASCorp and Individual Markets – each experienced significant growth in 1999, and most importantly, a high level of client retention.

FOCUSING ON CONTINUED SATISFACTION

Our public/non-profit group, BenefitsCorp, provides retirement savings and investment programs to government entities, hospitals and school districts. We have built our business on delivering customized solutions for even the most complex plan requirements. We are focusing our future on offering flexible systems that are in step with customers' changing needs. Customers continue to respond favourably to this commitment and we achieved 100% renewal of our plan sponsor relationships in 1999.

Governments are looking for ways to provide employees with greater value in their plans through enhanced savings, education and support systems. Our ability to provide match plans and supplemental savings and investment programs helped us attract the progressive Missouri County Employee Retirement Fund Defined Contribution Program.

FASCorp provides record keeping and administrative services for more than 1.5 million defined contribution participant accounts. During 1999, we added 250,000 new participants.

We also began providing consolidated record keeping for the State of Minnesota, as well as record keeping, employee communication and education services for the City of Los Angeles.

A pilot program of innovative participant education seminars met with great success in the City of Philadelphia and will be expanded to other government plans in 2000. This program focuses on providing employees with professional advice and guidance to enable them to make better decisions about their Individual retirement savings and investment plans.

As health care providers move their benefit plans from traditional annuity/insurance programs to employer-controlled plans, we are well positioned to accommodate their needs. Employers are becoming more selective in the partnerships they are entering on behalf of their employees, and are looking for "partners" that are in step with the needs of plan participants. We have recognized this trend and are addressing it in a number of ways: by offering an extensive investment option lineup, high quality yet cost-effective communication and education services, and state-of-the-art record keeping, administration and compliance systems.

Many challenges face the health care industry: escalating costs, severe cutbacks in federal funding for our aging population, and the effects of mergers and acquisitions. At the same time, the public is demanding quality health care at an affordable price. Our goal is to provide effective retirement plans and services that do not require the constant attention of an employer.

By taking care of our customers' needs today and helping them to build and manage cost-effective yet uniquely tailored retirement plans for the long term, BenefitsCorp provides government, health care and education entities with retirement plans that will help plan participants capture their dreams.

FASCorp: BUILDING FOR GROWTH

Building the business means honing our abilities to handle dramatic growth. With our technology partners, we are continually upgrading our capabilities. We have the capacity to customize and brand systems for large plan customers, while offering economies of scale to smaller customers. On the participant side we have dramatically enhanced our electronic interfaces, giving individuals faster access to more personal data, and more opportunities to enact transactions online.

Our focus on customer service balances the increasing importance of high technology with personalized service. Though more and more people are comfortable using electronic communications, many people prefer talking to a "real person". As a core strategy, our customer service representatives are available to participants from Maine to Guam, during local business hours. The expertise of our people and the personal touch we bring to every conversation will always be a competitive advantage for FASCorp.

The way we view our business has also proven to be a tremendous asset. To begin with, we treat our "back office" as our core business. Our employees focus their efforts specifically on the record keeping and administrative service functions, continually making improvements and raising our standards. Quality performance is the key. By earning the trust of our clients, we benefit from their growth.

INDIVIDUAL MARKETS FOCUSES ON VALUE

The way life insurance and annuity products are sold has changed dramatically. Selling through channels where customers have pre-existing relationships, such as banks and brokerages, is rapidly expanding. This effective method of delivery, through our partners such as Charles Schwab, Huntington Bank and US Bancorp, has paid off in explosive sales growth. We wrote more policies in 1999 than in the

previous six years combined, as customers embrace the convenience of dealing with institutions they know and trust for their financial security needs.

With this growth comes additional opportunities for building our business. To better serve customers, we will expand our retail sales efforts through the branch, advisor and Internet channels, where our track record will help measurably as we work to attract prospective partners.

As we pursue these new relationships, our primary focus will be to ensure the quality of each relationship, and that our commitments to our existing customers remain intact.

Our business growth has opened new doors of opportunity for using technology to expand our service to our customers. In 1999, we designed and implemented new Internet sites through which customers can directly access information and customer service, and also actually purchase life insurance and annuities. We also established call centers for life insurance and annuity sales, life insurance tele-underwriting and annuity customer service. In each case, the goal is to improve the speed and quality of customer interactions.

solutions
FOR OUR CUSTOMERS

Great-West Life & Annuity welcomes this new age of understanding and growth. We are committed to staying in touch with our local communities and putting a face on the thousands of people we assist with our business – in the areas of health care, insurance products and retirement planning.

To carry on our success through the 21st century we will need to continue to display expertise, commitment and a real interest in encouraging our customers to take a more knowledgeable approach towards their health care, employee benefits and financial security needs – to encourage their understanding and their ability to *open doors and discover solutions.*

management's DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

This annual report may contain forward-looking statements. Please see the note on page 2 for more information on these statements.

1999 CONSOLIDATED OPERATING RESULTS

Great-West Lifeco Inc.
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(in $ millions, except per common share amounts)

	1999			1998			
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**	**% Change**
For the Year							
Premiums for life insurance, guaranteed annuities, insured health products, and reinsurance and property and casualty	$ 5,765	$ 2,761	$ 8,526	$ 6,408	$ 2,829	$ 9,237	-8 %
Self-funded premium equivalents (ASO contracts) (1)	1,039	4,425	5,464	983	3,866	4,849	13 %
Segregated funds deposits (1)	2,113	3,837	5,950	2,421	3,276	5,697	4 %
Total premiums and deposits	8,917	11,023	19,940	9,812	9,971	19,783	1 %
Fee and other income	278	944	1,222	237	766	1,003	22 %
Paid or credited to policyholders	6,547	3,389	9,936	7,089	3,591	10,680	-7 %
Net income							
Total	248	321	569	209	264	473	20 %
Common shareholders	215	321	536	181	256	437	23 %
Return on common shareholders' equity			17.1 %			15.4 %	
Per Common Share							
Net earnings			$ 1.43			$ 1.17	23 %
Dividends paid			0.53			0.44	20 %
Book value			8.70			8.12	7 %
At December 31							
Total assets	$ 32,277	$ 20,979	$ 53,256	$ 32,478	$ 22,247	$ 54,725	-3 %
Segregated funds assets (1)	15,730	17,998	33,728	12,959	15,435	28,394	19 %
Total assets under administration	$ 48,007	$ 38,977	$ 86,984	$ 45,437	$ 37,682	$ 83,119	5 %
Capital stock and surplus			$ 3,789			$ 3,548	7 %

(1) Segregated funds deposits and self-funded premium equivalents (ASO contracts)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Segregated fund business is an option offered to policyholders under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Both segregated fund and ASO contracts are a growing aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of Great-West Lifeco Inc. in 1999 compared with 1998. The MD&A provides an overall discussion, followed by analyses of the performance of the Company's major reportable segments, its Canadian and United States operations.

STRUCTURE

Through The Great-West Life Assurance Company (Great-West) and London Life Insurance Company (London Life) in Canada and Great-West Life & Annuity Insurance Company (GWL&A) in the United States, a wide range of life and health insurance, and retirement and investment products are sold to individuals, businesses and other private and public organizations. As well, as part of Canadian operations, Great-West offers specialty reinsurance and general insurance products in specific niche markets through its subsidiaries, London Reinsurance Group Inc. and London Guarantee Insurance Company.

Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West and its subsidiaries. Lifeco is not restricted to investing in the shares of Great-West and its subsidiaries and may make other investments in the future.

TRANSLATION OF UNITED STATES DOLLARS

Throughout this report, United States dollar assets and liabilities are translated into Canadian dollars at the market rate at December 31. All income and expense items are translated at an average rate for the year. The rates employed by year are:

Year ended December 31	Balance Sheet	Operations
1999	$ 1.4433	$ 1.4856
1998	1.53	1.4835
1997	1.43	1.38

DEVELOPMENTS IN 1999

- Lifeco purchased all of the 9,198 outstanding common shares of London Life not already held by London Insurance Group. This results in 100% voting interest being held in London Life.
- Lifeco purchased 6,859 of the 10,310 outstanding common shares of Great-West not already held by Lifeco. Subsequent to that purchase, Great-West consolidated its outstanding common shares, which resulted in a 100% voting interest being held in Great-West.
- GWL&A entered into agreements with General American Life Insurance Company and Allmerica Financial Corporation to acquire the Group life and health businesses of these companies.

NET INCOME

Lifeco's net income for 1999 was $569 million, which compares to $473 million for 1998. Net income attributable to common shareholders increased 23% to $536 million or $1.43 per share, compared to $437 million and $1.17 per share for 1998. Net income attributable to common shareholders before amortization of goodwill was $596 million. The return on common shareholders' equity was 17.1% for the 12 months ended December 31, 1999.

Net income for common shareholders on a geographic basis was:

(in $ millions)	1999	1998	% Change
Canadian Operations	$ 215	$ 181	19 %
United States Operations	321	256	25 %
	$ 536	$ 437	23 %

For Canadian operations, investment performance, expense management and fee income contributed to increased earnings together with favourable mortality and Individual morbidity offset somewhat by unfavourable Group morbidity and reinsurance margins related to accident and health lines.

The increased earnings from United States operations reflect strong investment performance, increased fee income and favourable morbidity experience.

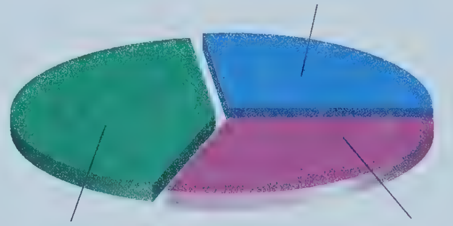
PREMIUM INCOME, PREMIUM EQUIVALENTS AND SEGREGATED FUNDS DEPOSITS

Overall, premiums and deposits increased 1% over 1998. Within this result, growth of 8% in fee based products reflects the emphasis on and success of the Company's expansion in the segregated fund markets in both Canada and the United States, as well as the Group administrative services only (ASO) market in the United States.

At December 31, 1999, 57% of premium revenue is from fee based products (53% in 1998) rather than the traditional risk based contracts.

In Canada, 35% of premium revenue is from fee based products, more than two-thirds from segregated funds.

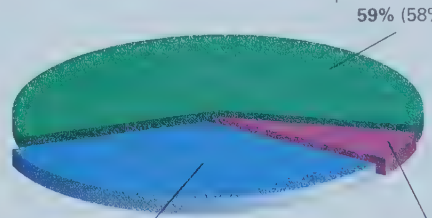
In the United States, fee based products account for 75% of premium revenue of which ASO business represented more than half.



1998 figures are shown in brackets.

FEE AND OTHER INCOME

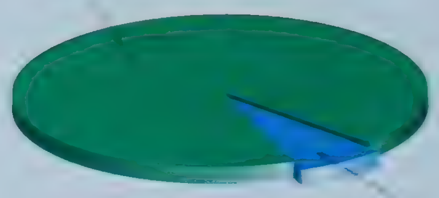
Overall, fee income was up 22% over 1998, 17% in Canada and 23% in the United States, representing the increase in segregated funds assets in both Canada and the United States and the increase in ASO business in the United States.



1998 figures are shown in brackets.

PAID OR CREDITED TO POLICYHOLDERS – TOTAL

The amount paid or credited to policyholders declined 7% from 1998 levels, however that amount only includes guaranteed contracts, reflecting the shift to ASO and segregated funds products.

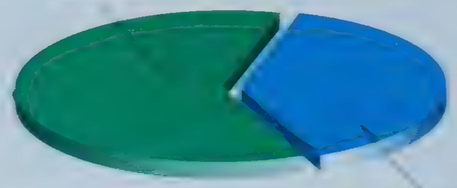


1998 figures are shown in brackets.

TOTAL ASSETS UNDER ADMINISTRATION

Total assets under administration increased 5% in 1999 to $87.0 billion, which includes a reduction in 1999 of $2.1 billion due to the change in the applicable United States dollar translation rate ($1.44 for 1999 and $1.53 a year ago).

General funds assets decreased 3% overall, due almost entirely to the 1999 reduction in United States dollar translation rates, while segregated funds assets increased 19%. In Canada, general funds assets decreased 1% and segregated funds assets increased 21%, reflecting a shift from risk based retirement products to segregated funds elections by policyholders.



1998 figures are shown in brackets.

In the United States, general funds assets were unchanged from 1998 levels in United States currency, but on a translated Canadian dollar base, declined 6%. Segregated funds increased 14% in United States currency and 17% after translation to Canadian dollars, compared to the previous year.

ASSET QUALITY

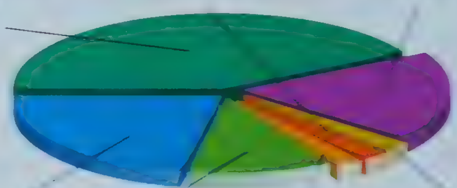
At December 31, 1999, exposure to mortgage loans and real estate was 21% of invested assets, compared with 22% at the end of 1998.

The Company's exposure to non-investment grade bonds was 0.6% of the portfolio at the end of 1999, unchanged from December 31, 1998.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure totalled $96 million or 0.2% of invested assets at December 31, 1999, compared with $107 million and 0.2% a year earlier. The Company's allowance for credit losses at December 31, 1999 was $178 million compared with $203 million at year-end 1998.

ASSET DISTRIBUTION *December 31 (in $ millions)*

	1999	1998
Government bonds	$ 10,494	$ 10,675
Corporate bonds	19,903	20,039
Mortgages	8,942	9,977
Stocks	809	792
Real estate	1,106	1,072
Sub-total portfolio investments	41,254	42,555
Cash & certificates of deposit	732	759
Policy loans	5,162	5,604
Total invested assets	$ 47,148	$ 48,918



1998 figures are shown in brackets.

POLICY LIABILITIES

ACTUARIAL LIABILITIES AND PROVISION FOR CLAIMS

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

Reference is made to note 4 of the Lifeco financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

CAPITAL STOCK AND SURPLUS

During 1999, the Company paid dividends of $0.53 per common share for a total of $198 million and preferred share dividends of $33 million. This represents an increase in common share dividends paid of 20% compared to 1998. A reduction in preferred share dividends of $3 million for the same period was mainly due to the Company having replaced a $200 million preferred share issue at 7.5% with a new issue at 4.7% in early 1999.

In November, 1999, the Company announced a further normal course issuer bid commencing December 1, 1999 and terminating November 30, 2000. During the course of this bid, up to but not more than 3,500,000 shares will be purchased for cancellation by the Company.

In 1999, through the normal course issuer bid process, 904,500 common shares were purchased for cancellation at a cost of $21 million or $22.99 per share.

These activities, coupled with the strong earnings from Canada and U.S. operations resulted in capital and surplus increasing 7% to $3.8 billion.

FINANCIAL STRENGTH

The Office of the Superintendent of Financial Institutions has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's ratio at the end of 1999 was 210% (196% at the end of 1998).

The credit ratings of the Company and all of its major subsidiaries were reaffirmed during 1999.

RATINGS OF GREAT-WEST AND ITS MAJOR SUBSIDIARIES

Rating Agency	Measurement	Ratings		
		Great-West	London Life	GWL&A
A.M. Best Company	Financial Condition and Operating Performance	A++*	A++*	A++*
Canadian Bond Rating Service	Investment Strength	A++*	A++*	NR
Dominion Bond Rating Service	Claims Paying Ability	IC-1*	IC-1*	NR
Duff & Phelps Corporation	Claims Paying Ability	AAA*	AAA*	AAA*
Moody's Investors Service	Insurance Financial Strength	Aa2	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength	AA+	AA+	AA+

** Highest rating available; NR – not rated*

RISK MANAGEMENT AND CONTROL PRACTICES

RISKS ASSOCIATED WITH POLICY LIABILITIES

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for policyholder obligations.

The Board of Directors of each operating company has approved Standards of Sound Business and Financial Practice for both Pricing and Underwriting (Selection of Risks) of product offerings. Management is responsible for effective execution of these policies. A compliance process is in place for these policies. The Actuary is required to value the policy liabilities and report on the financial condition of each operating company. The Audit Committee of the Board reviews the work of the Actuary.

The Company's significant risks and their monitoring and control are:

Mortality and Morbidity Risk – Many products provide benefits in the event of death. Benefits due to disabling conditions and medical or dental costs are also important product features. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the markets where the Company is active.

Persistency (Policy Termination) Risk – Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products with increasing costs by age where pricing is supported by assuming that not all policyholders continue their coverage. Annual research studies support pricing and valuation assumptions for the persistency risk.

Investment Yield Risk – Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between Pricing, Valuation and Investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer term cash flows and pricing guarantees carry more risk. Both Pricing and Valuation react to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk – Products with mortality and morbidity risks have specific limits of Company retention approved by the Board of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. Companies providing reinsurance are reviewed for financial soundness. The Company is also protected from catastrophic events through purchased coverage.

For additional information on these risks, refer to note 4(d), 4(e), and 4(f) of the Lifeco financial statements.

RISKS ASSOCIATED WITH INVESTED ASSETS

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment and Credit Committees of the Boards of Directors annually approve Investment & Lending Policies, Procedures and Guidelines, and Segmented Investment Policy Guidelines by major line of business. A comprehensive report on compliance is presented to the Boards of Directors or Investment and Credit Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies on a periodic basis.

The significant risks associated with invested assets that the Company manages, monitors and controls are outlined below.

Interest Rate Risk – Canadian Operations – Interest rate risk exists if asset and liability cash flows are not perfectly matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for specula-

tive purposes. Derivative products are traded with counterparties approved by the Board of Directors or the Investment and Credit Committee of the Board of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Interest Rate Risk – United States Operations – Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, such as certificate annuities and payout annuities, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities. For products with uncertain timing of benefit payments, such as portfolio annuities and life insurance, investments are made in fixed income assets with expected cash flows that are earlier than the expected timing of the benefit payments. This enables the Company to react to changing interest rates sooner as these assets mature for reinvestment.

Credit Risk – It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment and Credit Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended in OSFI guidelines.

Liquidity Risk – The Company maintains sufficient operating liquidity to meet daily cash requirements and has a significant position in highly marketable securities. In addition, the Company has the ability to draw on its established lines of credit.

Foreign Exchange Risk – Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks – The Company has established specific policy guidelines related to environmental risk management in the investment portfolios.

DERIVATIVE INSTRUMENTS

The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which:
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and the related exposures are described in note 12 of the Lifeco financial statements.

YEAR 2000

The year 2000 (Y2K) problem, which is referred to in note 16 of the Lifeco financial statements, acknowledges that although the change in date has occurred, it is not possible to conclude that all aspects of the Y2K issue that may affect the Company, including those related to customers, suppliers or other third parties, have been fully resolved.

The Company's Y2K activities to achieve compliance for the 2000 date rollover appear to have been very successful with respect to computer hardware, software, networks, facilities and telephone systems, based on experiences subsequent to January 1, 2000. As well, dependencies on vendors/suppliers and business partners appear secure, with monitoring continuing through an annual cycle of activities.

The costs of achieving Y2K operational compliance – $30 million for Canadian operations and $22 million for United States operations – were expensed in 1999 and prior years.

Great-West Lifeco Inc.

FINANCIAL INFORMATION – CANADIAN SEGMENT

CONSOLIDATED OPERATIONS

(in $ millions)

Years ended December 31	1999			1998			
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total	% Change
Income:							
Premium income (1)	$ 4,484	$ 1,281	$ 5,765	$ 5,147	$ 1,261	$ 6,408	-10 %
Net investment income	1,279	915	2,194	1,182	918	2,100	4 %
Fee and other income	278	–	278	237	–	237	17 %
Total income	6,041	2,196	8,237	6,566	2,179	8,745	-6 %
Benefits and Expenses:							
Paid or credited to policyholders	4,775	1,772	6,547	5,374	1,715	7,089	-8 %
Other	779	274	1,053	767	313	1,080	-3 %
Net operating income before income taxes	487	150	637	425	151	576	11 %
Income taxes	140	94	234	119	96	215	9 %
Net income before minority and other interests	347	56	403	306	55	361	12 %
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries							
Participating policyholders	–	63	63	–	60	60	5 %
Preferred shareholder dividends	28	–	28	28	–	28	–
Minority shareholders' interest	12	(7)	5	11	(5)	6	-17 %
	40	56	96	39	55	94	2 %
Net income before goodwill amortization	307	–	307	267	–	267	15 %
Amortization of goodwill	59	–	59	58	–	58	2 %
Net income	$ 248	$ –	$ 248	$ 209	$ –	$ 209	19 %
Summary of Net Income							
Preferred shareholder dividends	$ 33	$ –	$ 33	$ 28	$ –	$ 28	18 %
Net income – common shareholders	215	–	215	181	–	181	19 %
Net income	$ 248	$ –	$ 248	$ 209	$ –	$ 209	19 %
(1) excludes							
– segregated funds deposits	*$ 2,113*	*$ –*	*$ 2,113*	*$ 2,421*	*$ –*	*$ 2,421*	*-13 %*
– self-funded premium equivalents (ASO)	*$ 1,039*	*$ –*	*$ 1,039*	*$ 983*	*$ –*	*$ 983*	*6 %*

Reference is made to note 14 of the Lifeco financial statements, Segmented Information, for the presentation of Canadian Operations.

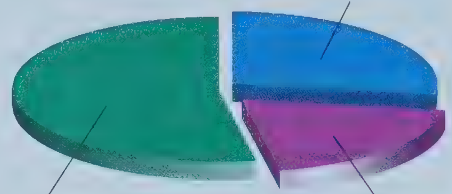
1999 CANADIAN OPERATING RESULTS

Net income from Canadian operations of Lifeco for 1999 was $248 million, compared to $209 million for 1998. Net income attributable to common shareholders was $215 million, up from $181 million for 1998.

The positive earnings results were due to a combination of reduced operating expenses as a result of continued integration of Great-West and London Life operations, improvement in investment results, increased segregated funds fee income, and favourable mortality experience offset somewhat by unfavourable Group morbidity and reinsurance margins associated with accident and health lines.

In terms of reportable segments, net operating income before income taxes (income before income taxes, goodwill and minority interests) was up from 1998 levels overall, due primarily to improved Group insurance results. A discussion of those results follows in the major business unit reports.

Net Operating Income Before Income Taxes – Shareholders *($ millions)*



1998 figures are shown in brackets.

PREMIUMS AND DEPOSITS

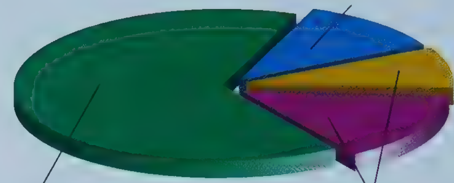
Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	1999	1998	% Change	1999	1998	% Change
Business/Product						
Group insurance						
Small/mid-sized case	$ 898	$ 894	– %	$ 108	$ 94	15 %
Large case	1,883	1,835	3 %	94	72	31 %
Individual insurance						
Life insurance – Participating	1,281	1,261	2 %	64	69	-6 %
– Non-participating	257	246	4 %	41	41	– %
Disability income	102	92	11 %	20	18	11 %
Retirement & Investment Services	2,421	2,759	-12 %	2,888	2,981	-3 %
Reinsurance & Specialty General Insurance	2,075	2,725	-24 %	2,075	2,725	-24 %
	$ 8,917	$ 9,812	-9 %	$ 5,290	$ 6,000	-12 %
Summary by Type						
Guaranteed products	$ 5,765	$ 6,408	-10 %			
ASO contracts	1,039	983	6 %			
Segregated funds deposits						
– Individual products	1,344	1,699	-21 %			
– Group products	769	722	7 %			
Total premiums and deposits	$ 8,917	$ 9,812	-9 %			

PREMIUMS AND DEPOSITS

Total premiums and deposits down 9% overall from 1998 levels, with guaranteed product premiums down 10%, self-funded premium equivalents (ASO contracts) up 6%, and segregated funds deposits declined 13% from 1998 levels, reflecting the market conditions that affected the investment funds industry in general.

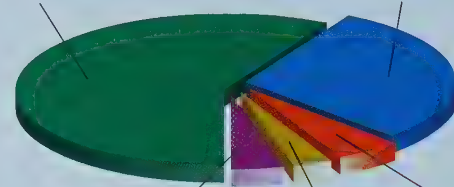
Within guaranteed or traditional risk premium income, annuity premiums declined, as policyholders continue to show a preference for segregated funds. Reinsurance and specialty general insurance premiums declined 24% due to fewer structured contracts written in 1999, compared to 1998.



1998 figures are shown in brackets.

NET INVESTMENT INCOME

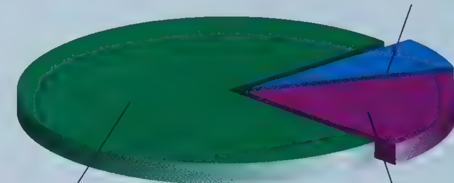
Net investment income for 1999, representing the investment revenues from general funds assets (excludes segregated funds assets) increased 4%, compared to 1998, reflecting a combination of market conditions and reduced investment expenses.



1998 figures are shown in brackets.

FEE INCOME

Fee income is primarily derived from the management of segregated funds assets and the provision of Group health ASO business. The increase in fee income in 1999 is mainly due to increases in segregated fund related fees of $31 million or 17% compared to 1998.



1998 figures are shown in brackets.

PAID OR CREDITED TO POLICYHOLDERS

This amount is made up of increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments.

In aggregate, $6.5 billion was paid or credited to policyholders in 1999 with respect to guaranteed contracts, a decrease of 8% compared to 1998, again reflecting the shift to fee based products.

Policyholder dividends credited in 1999 were $515 million, compared to $522 million in 1998. In 1999, policyholder dividend scales were decreased from 1998 levels in response to reduced portfolio investment yields.

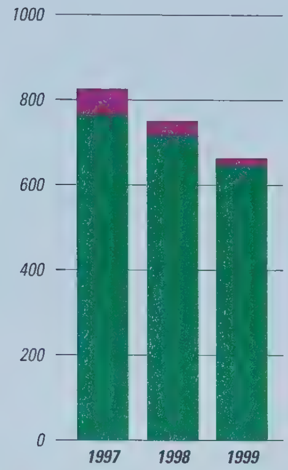
OTHER

Included in other benefits and expenses are operating expenses, commission payments, as well as premium and other taxes.

Operating expenses for 1999 are lower than 1998 levels by 10% or $69 million, reflecting the synergies realized from ongoing integration of Great-West and London Life operations during 1998 and 1999. On a total basis, aggregate expenses including investment expenses are down 11% or $85 million from 1998 levels, and down 19% or $161 million over two years from the comparable 1997 base.

A provision for the integration of the operations of London Life and Great-West of $250 million, $142 million after tax, of which $95 million was attributable to common shareholders, was charged to 1997 earnings. Throughout 1998 and 1999, a large number of integration activities were undertaken and most are now complete or in the final stage of completion. At year end, 7% remained available to fund completion of the integration activities.

Total Expenses
($ millions)



ASSETS

Total assets under administration increased 6% to $48.0 billion when compared to 1998. Segregated funds assets increased 21% and general funds assets decreased 1% reflecting the continuing shift by policyholders to segregated funds from guaranteed funds.

CONSOLIDATED BALANCE SHEET
(in $ millions)

December 31	1999			1998		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
ASSETS						
Invested assets	$ 15,087	$ 12,292	$ 27,379	$ 16,224	$ 11,608	$ 27,832
Goodwill	1,658	–	1,658	1,658	1	1,659
Other assets	2,850	390	3,240	2,434	553	2,987
Total assets	$ 19,595	$ 12,682	$ 32,277	$ 20,316	$ 12,162	$ 32,478
Segregated funds assets			15,730			12,959
Total assets under administration			$ 48,007			$ 45,437
LIABILITIES, CAPITAL STOCK & SURPLUS						
Policy liabilities	$ 15,216	$ 10,551	$ 25,767	$ 15,849	$ 9,978	$ 25,827
Net deferred gains on portfolio investments sold	536	557	1,093	549	736	1,285
Other liabilities	1,152	370	1,522	1,334	307	1,641
Total liabilities	16,904	11,478	28,382	17,732	11,021	28,753
Minority and other interests	717	1,204	1,921	742	1,141	1,883
Capital stock & surplus	1,974	–	1,974	1,842	–	1,842
Total liabilities, capital stock & surplus	$ 19,595	$ 12,682	$ 32,277	$ 20,316	$ 12,162	$ 32,478

INVESTED ASSETS

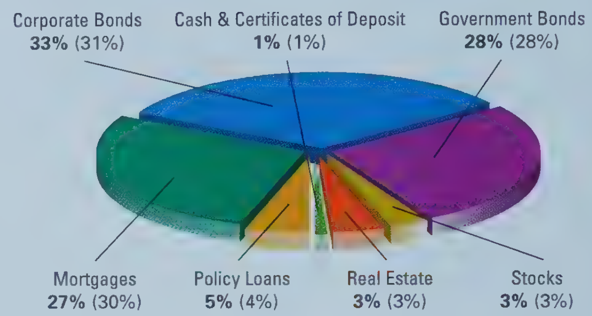
Great-West and London Life general fund assets are managed by the Investment Division of the Company. In accordance with the Company's investment policies, the Investment Division manages portfolios of assets to produce a steady source of income to support the cash flow and liquidity requirements of the Company's insurance and investment products. The investment policies limit concentrations of risk within its investment and lending portfolios, which are well-diversified by asset class, industry sector, location and size of borrowers. The Company invests the majority of its general funds in medium-term and long-term fixed-income securities, primarily bonds and mortgages, which reflect the nature of the liabilities being matched.

The Investment Division reviews its strategy on an ongoing basis in light of liability requirements and current economic and market conditions.

ASSET DISTRIBUTION

December 31 *(in $ millions)*

	1999	1998
Government bonds	$ 7,624	$ 7,643
Corporate bonds	8,976	8,801
Mortgages	7,535	8,249
Stocks	740	719
Real estate	947	950
Sub-total portfolio investments	25,822	26,362
Cash & certificates of deposit	290	266
Policy loans	1,267	1,204
Total invested assets	$ 27,379	$ 27,832

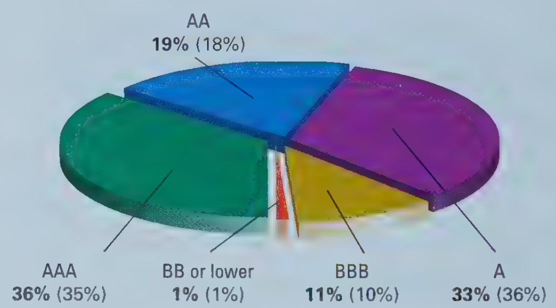


1998 figures are shown in brackets.

BOND PORTFOLIO QUALITY *(excludes $701 million short-term investments, $452 million in 1998)*

December 31 *(in $ millions)*

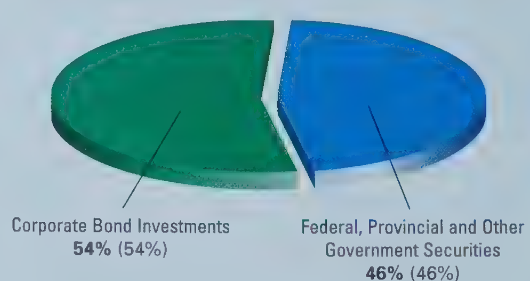
	1999	1998
Estimated Rating		
AAA	$ 5,734	$ 5,696
AA	3,050	2,831
A	5,214	5,789
BBB	1,748	1,532
BB or lower	153	144
Total	$ 15,899	$ 15,992



1998 figures are shown in brackets.

BOND PORTFOLIO

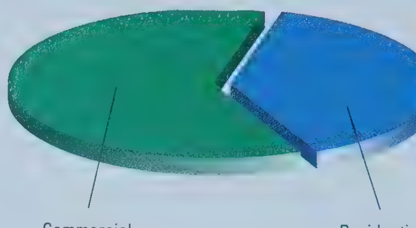
New investments in 1999, including reinvestment of maturing assets, were primarily bonds and mortgages. Investment in government and corporate bonds represented 40% of investment activity, with the total bond portfolio growing by $156 million to $16.6 billion. Federal, provincial and other government securities represented 46% of the bond portfolio, with the balance in corporate bonds.



1998 figures are shown in brackets.

MORTGAGE PORTFOLIO

Investment in commercial mortgages represented 22% of investment activity, with residential lending accounting for the remaining 38%. The mortgage portfolio consists of 61% (58% in 1998) commercial loans, including multiple residential loans and 39% (42% in 1998) single family residential loans. Overall mortgage investments decreased to $7.5 billion from $8.2 billion a year ago, primarily as a result of competitive pricing pressures affecting the Company's ability to profitably originate residential loans and retain maturing loans. While more commercial loans were originated in 1999 than the previous year, the Company's stringent underwriting guidelines resulted in a lower retention of maturing loans than the previous year.



1998 figures are shown in brackets.

During 1999, the quality of the Company's overall investment portfolio resulted in continued favourable credit experience. At year-end 1999, 88% of the consolidated bond portfolio was rated A or higher, and 99% was rated investment grade. Total allowances for credit losses related to bonds were $3 million, the same as the previous year. At the end of 1999, the Company had no non-performing bonds, compared to $4 million a year ago.

Credit experience in the Company's mortgage portfolios also continued to be favourable. Credit losses on mortgages charged to operations resulted in a net recovery of $6.5 million in 1999, versus a charge of $9.4 million in 1998. Aggregate non-performing loans declined to $61 million or 0.8% of mortgages at the end of 1999, compared to $78 million or 0.9% of mortgages a year ago. Total allowances for credit losses were $54 million (87% of non-performing loans) at year-end 1999, compared to $59 million (75% of non-performing loans) at year-end 1998.

Net investment income was $2.2 billion in 1999 ($2.1 billion in 1998). Higher levels of interest rates than in 1998 led to higher interest income, offset by maturities of long-term bonds and mortgages at higher than current rates. Yields on government bonds for terms of one to 30 years increased 90 to 100 basis points over the year. The yield differential between one year and 30 years was 65 basis points at December 31, 1999, versus 55 basis points a year ago.

LIQUIDITY

The Company uses a number of techniques to manage liquidity in the general funds. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets are held in highly marketable securities that can be sold to meet cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $14.6 billion provide adequate levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

LIQUID ASSETS – CANADIAN OPERATIONS

December 31 (in $ millions)

	1999		1998	
	Balance Sheet Value	**Market Value**	**Balance Sheet Value**	**Market Value**
Cash & certificates of deposit	$ 277	$ 277	$ 245	$ 245
Highly marketable securities				
– Government bonds	7,451	7,186	7,386	7,784
– Corporate bonds	4,980	4,730	4,818	5,066
– Common/Preferred shares	361	439	415	447
– Residential mortgages (insured)	1,511	1,480	1,872	1,870
Total	$ 14,580	$ 14,112	$ 14,736	$ 15,412

LIABILITY CHARACTERISTICS – CANADIAN OPERATIONS

December 31 *(in $ millions)*

	1999		1998
	Book Value	Liquidity Need	Book Value
Policies non-cashable prior to maturity	$ 10,677	VERY LOW	$ 10,506
Policies subject to market value adjustment	3,763	LOW	4,503
Policies with surcharges	8,819	MODERATE	8,240
Policies with no surcharges	1,933	MODERATE	1,933
Total	$ 25,192		$ 25,182

SEGREGATED FUNDS

The Investment Division supports the Company's strategic emphasis on segregated funds in the management of such funds directly and through its wholly-owned subsidiaries, GWL Investment Management Ltd. (GWLIM), London Life Investment Management Ltd. (LLIM), and GWL Realty Advisors (GWLRA). GWLIM and LLIM act as investment advisors to over 200 major institutional clients, and offer one of the broadest ranges of investment options in separate and pooled funds in Canada. GWLRA acts as sub-advisor to the real estate segregated funds, as well as advisor to other pension and institutional funds.

During 1999, segregated funds assets under management grew by $2.8 billion or 21%, to $15.7 billion at year end. Included in the segregated funds assets is $94 million of seed money from Great-West and London Life, the majority of which was deposited in 1998 for the introduction of 33 new individual funds at London Life. Segregated funds assets also include 119 funds, totalling $3.3 billion, managed by 13 external managers as sub-advisors to GWLIM and LLIM.

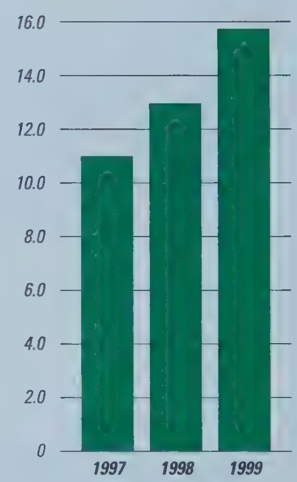
SEGREGATED FUNDS ASSETS

December 31 *(in $ millions)*

	1999	1998	1997	1996	1995
Stocks	$ 9,025	$ 6,914	$ 6,180	$ 2,788	$ 1,943
Bonds	4,024	3,837	3,094	1,374	1,134
Mortgages	1,128	960	872	440	510
Real estate	1,119	877	415	226	210
Other	434	371	402	71	157
Total	$ 15,730	$ 12,959	$ 10,963	$ 4,899	$ 3,954
Internally-managed	12,397	10,754	9,397	4,359	3,834
Externally-managed	3,333	2,205	1,566	540	120
Year over year growth	21%	18%	124%	24%	–

Segregated Funds Assets

($ billions)



OUTLOOK – INVESTMENT

Despite a great deal of initial concern due to the Asian financial crisis, the Canadian economy performed well in 1999 with a rise of close to 4% in the Gross Domestic Product. In response to the strong economic growth as well as higher inflation levels, interest rates rose gradually throughout much of the year. While credit spreads achieved in the fixed income markets in 1999 were marginally higher than 1998, spreads are expected to narrow in the upcoming year. With economic growth exceeding expectations in 1999, the outlook for the domestic economy and capital markets in 2000 remains positive.

In 2000, the Company will continue to monitor the quality and performance of its invested assets, while maintaining its conservative investment policies and high underwriting standards. New investments will be primarily in bonds and mortgages appropriate to the liabilities to control and minimize interest rate risk. Residential lending initiatives include strengthening loan origination capacity, improving retention of maturing loans and gradually increasing the involvement of the distribution sales force in marketing this product. The Company will continue to invest in infrastructure and technology to manage and administer its portfolios and prepare for upcoming changes in the securities trading and settlement environments.

BUSINESS SEGMENTS – CANADA

GROUP INSURANCE

The Group Insurance Division provides a wide range of Group insurance products to more than 23,000 employers across Canada. The Division has significant presence in all market segments – by region, case size and product. Great-West covers more than eight million Canadians through its Group products – life and accidental death and dismemberment insurance, short and long-term disability insurance, drug, dental and visioncare coverage not provided by Medicare and employee assistance plans.

Net operating income before income taxes increased $55 million in 1999, with significant increases in both the life and health lines of business. A primary contributor to the improved earnings was expense synergies resulting from the successful integration of London Life's Group insurance business. Productivity gains in administrative and sales areas resulted in a 10% reduction in unit costs. Investment income, mortality, and morbidity experience improved in 1999. However, experience in the long-term disability lines of business is below expectations.

CONSOLIDATED NET OPERATING INCOME BEFORE INCOME TAXES
Years ended December 31 (in $ millions)

	1999	1998
Income:		
Premium income (1)	$ 1,742	$ 1,746
Net investment income	256	231
Fee and other income	51	47
Total income	2,049	2,024
Benefits and Expenses:		
Paid or credited to policyholders	1,567	1,596
Other	349	350
Net operating income before income taxes	$ 133	$ 78
(1) excludes self-funded premium equivalents (ASO)	*$ 1,039*	*$ 983*

These results reflect the impact of rate actions implemented in 1998 and 1999 along with strengthened underwriting and claims adjudication practices. The Company expects further net operating gains in 2000 as a result of these actions and continued improvements in unit cost.

The Company successfully completed the integration and conversion of London Life's Group insurance business on schedule in 1999. One success measure of integration is the persistency rate among converted London Life business, which was higher than anticipated, reflecting general client acceptance of the conversion process and of the Company's products and services. In total, more than 10,000 London Life Group cases were converted to Great-West administration systems in 1998 and during the first half of 1999.

GROUP INSURANCE - DIVISIONAL SUMMARY

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	1999	1998	% Change	1999	1998	% Change
Business/Product						
Small/mid-sized case	$ 898	$ 894	–	$ 108	$ 94	15 %
Large case – insured	844	852	–	24	45	-47 %
– ASO	1,039	983	6 %	70	27	159 %
Total	$ 2,781	$ 2,729	2 %	$ 202	$ 166	22 %

Group insurance premium income of $1.7 billion in 1999 was relatively flat compared to 1998. Overall revenue premium, which includes claims from non-insured administration only clients, was up 2%. This growth rate was slightly higher than expected, but is below long-term expectations. It reflects the intense focus on completing the conversion of London Life Group insurance cases.

While the magnitude of the conversion project – unparalleled in the Canadian Group insurance market – did lead to some deterioration in service levels, a number of initiatives implemented in mid-year resulted in significant service improvements by year end.

Sales results were up 22% over 1998. This reflects continued strong sales growth in the target small and mid-sized client market fueled by the Company's expanded distribution system, which includes London Life representatives. The Company also experienced significant sales improvement in the Administrative Services Only (ASO) market. Sales in the large case insured market dropped, reflecting a stronger underwriting approach in this segment.

RISK ANALYSIS AND MANAGEMENT

The basic risk related to Group insurance focuses on the insurer's ability to predict claims experience for the coming year. Most risks facing the Group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In health care products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential of substantially escalating benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, aging and industry characteristics do play a role in establishing future claims patterns. However, there is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict, they are more time-consuming to adjudicate and tend to be longer in duration than claims related to other disabilities. These risks are managed through pricing and plan designs that emphasize prevention, earlier intervention and return to work programs.

OUTLOOK – GROUP INSURANCE

Demutualization and company mergers have resulted in a very positive marketplace environment for Great-West's Group insurance line of business. The major players in the industry are now exposed to similar financial expectations, creating a more price rational market. In this new environment, Great-West is well positioned for growth in both premium income and net operating income.

Great-West's overall Group marketshare, approaching 19%, represents a significant competitive advantage over its com-

petitors in terms of its ability to produce products and services at the lowest unit cost. In addition, Great-West's large distribution networks, which include Investors Group and London Life representatives, provide significant opportunity to enhance its leading sales position, particularly in the small and mid-sized markets. Now that the conversion and integration of London Life business has been completed, the Company will be able to concentrate on sales and service initiatives. Among these are a number of online service initiatives that build on the technological enhancements already available to the Company's increased Group client base. As well, Great-West entered a new market early in 2000 with the introduction of a health and dental insurance plan for individual Canadians.

INDIVIDUAL INSURANCE & INVESTMENT PRODUCTS (IIIP)

The Individual Insurance & Investment Products Division provides Great-West and London Life branded products – life and disability insurance products for Individual clients, as well as accumulation products including guaranteed products and segregated funds, and payout annuity products for both Group and Individual clients.

CONSOLIDATED NET OPERATING INCOME BEFORE INCOME TAXES

Years ended December 31 (in $ millions)

	1999			1998		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Income:						
Premium income (1)	$ 667	$ 1,281	$ 1,948	$ 676	$ 1,261	$ 1,937
Net investment income	644	915	1,559	680	918	1,598
Fee and other income	223	–	223	170	–	170
Total income	1,534	2,196	3,730	1,526	2,179	3,705
Benefits and Expenses:						
Paid or credited to policyholders	898	1,772	2,670	934	1,715	2,649
Other	378	274	652	327	313	640
Net operating income before income taxes	$ 258	$ 150	$ 408	$ 265	$ 151	$ 416
(1) excludes segregated funds deposits	*$ 2,113*	*$ –*	*$ 2,113*	*$ 2,421*	*$ –*	*$ 2,421*

Individual Insurance & Investment Products consists of three distinct business divisions: Individual Life Insurance, Individual Disability Insurance and Retirement & Investment Services (R&IS). The shareholders net operating income before income taxes of $258 million was slightly below the level achieved in 1998, with increases for the Life and Disability divisions and a decline in the R&IS division. In Individual Life Insurance, results were influenced by favourable mortality experience and investment margins. For Disability Insurance, morbidity results and strong investment margins produced favourable results.

Within the Retirement & Investment Services division, operating results are derived from the guaranteed annuity block of business and the segregated fund business. While segregated fund income trended positive year-over-year, the income from guaranteed annuities was down primarily due to investment related reserve changes. The decline in segregated fund sales year-over-year also contributed to downward pressure on 1999 earnings in the form of expense recoveries.

Participating policyholders' earnings reflected the dividend scale reductions implemented in 1999 as a consequence of reduced portfolio investment returns. Favourable mortality experience and lower expenses resulted in no further change in the dividend scale for 2000.

In 1999, the Company made significant progress in integrating London Life and Great-West Individual administration systems and expanding its Customer Service Centre. The Company enhanced technological support for representatives through expanding the use of laptop computers in new business activity, and introducing an exclusive Intranet site for representatives.

INDIVIDUAL INSURANCE – DIVISIONAL SUMMARY

(in $ millions)

	Individual Life		Individual Disability	Total
	Participating	Non-Participating		
December 31, 1999				
Sales premium	**$ 64**	**$ 41**	**$ 20**	**$ 125**
Revenue premium income	**1,281**	**257**	**102**	**1,640**
December 31, 1998				
Sales premium	$ 69	$ 41	$ 18	$ 128
Revenue premium income	1,261	246	92	1,599

INDIVIDUAL LIFE INSURANCE

Individual life insurance sales, as measured by annualized premium, were $105 million in 1999, while revenue premium exceeded $1.5 billion. Sales declined 4% over 1998, in a relatively flat market.

In 1999, industry pricing for term and universal life products continued at levels management considers to be unsustainable. The Company prices its products at what it believes to be sustainable rates that provide adequate profitability. This has been accomplished by effectively utilizing reinsurance arrangements to maintain the Company's competitive position on these products.

Term insurance sales were up 9% in terms of new annualized premium over 1998, with most of the growth occurring through Investors Group representatives. In response to market trends, the Company introduced preferred underwriting on its term products during the year, enhancing the competitiveness of its product line.

Universal life sales increased 73% over 1998. The Company rounded out its universal life product offering through an agreement to market a third party universal life product for the over $500,000 market. In addition, the Company improved its universal life products for the under $500,000 market for both Great-West and London Life customers.

Sales of participating policies decreased 7%, but were strong in the mature market, where consumers are concerned with wealth management. The Company's Tax and Estate Planning Group, which has tripled in size in the past two years, plays a key role in sales in this market. The Tax and Estate Planning Group comprises accountants and lawyers who provide specialized advice to representatives and their clients in planning situations.

Although managed as separate blocks of business, when taken together, Great-West's block and London Life's block of participating insurance is the largest in Canada, with 1.5 million policyholders and assets totalling $12.7 billion at the end of 1999.

The Company manufactures and services non-participating and participating forms of life insurance. The products manufactured for London Life are proprietary to the London Life field force, while the products manufactured by Great-West are sold by Great-West and Investors Group representatives as well as independent brokers. Non-participating life insurance policies are managed in the shareholder account. Participating life insurance policies are managed in separate participating accounts in each Company.

The Company's sound management of its participating blocks of business has enabled it to deliver long-term policyholder dividend performance that is consistently among the best in the industry. In April 1999, the Company reduced the dividend scales, to reflect lower portfolio investment yields, tempered by positive mortality and expense performance. This change was effective January 1, 2000 for the block of Prudential participating business acquired by London Life in 1996. The last dividend scale change was in 1995 for Great-West and 1994 for London Life. No further changes in the scales are planned for 2000.

A regulated percentage of returns in the participating account is credited to the shareholders' account. In 1999, the amount was $14.8 million.

The Company's diversified distribution system is a strategic advantage in the Canadian life insurance market. In addition to providing life insurance products and services to the London Life and Great-West field forces, Great-West markets life insurance through Investors Group representatives.

Participating life insurance policies are managed in separate participating accounts in Great-West and London Life. Participating policyholders are eligible to receive policyholder dividends based on the performance of the participating account. The performance of the participating account is primarily dependent on the effectiveness of underwriting, expense management, tax costs and investment performance.

Risk Analysis and Management – The most significant risk in the life insurance line of business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. The nature of life insurance contracts is such that the impact of underwriting policies tends to emerge 20 or 30 years after contracts are issued, when the majority of claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as current practices.

A current risk in the industry involves the pricing of the level cost of insurance option within universal life products. The pricing of this option is lapse-supported and requires a guaranteed interest rate assumption for the life of the policy. A small change in the actual long-term lapses or investment returns can lead to significant insufficiency in the premiums. Management considers the current industry pricing of this option to be lower than required to produce adequate profitability, and has avoided significant exposure in this market.

DISABILITY INSURANCE

Total sales of disability insurance increased by 11% during 1999 for a total of $20 million in new annualized premium of which $17 million was non-cancellable and $3 million was cancellable. Revenue premium increased by 11%. The sales growth in this market is due mainly to Great-West's competitive product line, which the Company continues to enhance.

Approximately 70% of sales are to the self-employed market. This is an increasingly important growth market, as workplace restructuring means more Canadians are setting up businesses, often based out of their homes. As a leading provider of disability insurance, Great-West continues to have a strong market share at approximately 29% of the Canadian market.

As a result of continuing emphasis on expense management, expenses as a percent of revenue premium dropped by 4% in 1999.

Great-West manufactures and services a range of disability insurance products, which are marketed through Great-West representatives and 10 intercorporate partners, including London Life representatives. The Company's disability insurance products are designed to meet the unique personal and business needs of professionals, partners, business owners and employees.

Risk Analysis and Management – Morbidity is the most significant risk for this line of business. Morbidity experience is highly cyclical and changes with economic conditions. There is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict, they are more time-consuming to adjudicate and tend to be longer in duration than claims related to other disabilities. The Company manages this risk through its underwriting practices, experience and trend analysis, and its reserve and pricing reviews. Claims experience is analyzed by multiple factors, including all pricing classifications. The Company's large block of business provides credible experience on which to base decisions.

RETIREMENT & INVESTMENT SERVICES

In 1999, growth in the Company's Retirement & Investment Services business was affected by the market conditions that impacted the investment funds industry in general. The stock market correction in late 1998 combined with low returns in early 1999, and consumer concerns about year 2000 depressed contributions to investment funds in Canada. In this environment, the Company's sales were rel-

RETIREMENT & INVESTMENT SERVICES – DIVISIONAL SUMMARY

(in $ millions)

	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 1999					
Sales premium					
Guaranteed	$ 667	$ 35	$ 14	$ 64	$ 780
Segregated funds	1,758	81	269	–	2,108
Revenue premium income					
Guaranteed	117	148	–	43	308
Segregated funds	1,344	514	255	–	2,113
Assets under administration					
Guaranteed	1,863	1,328	67	2,991	6,249
Segregated funds	7,863	3,330	4,537	–	15,730
Total	$ 9,726	$ 4,658	$ 4,604	$ 2,991	$ 21,979
December 31, 1998					
Sales premium					
Guaranteed	$ 576	$ 68	$ (5)	$ 67	$ 706
Segregated funds	1,969	163	143	–	2,275
Revenue premium income					
Guaranteed	155	137	–	46	338
Segregated funds	1,699	578	144	–	2,421
Assets under administration					
Guaranteed	2,471	1,473	74	3,126	7,144
Segregated funds	6,156	2,858	3,945	–	12,959
Total	$ 8,627	$ 4,331	$ 4,019	$ 3,126	$ 20,103

atively strong when compared with other large segregated funds carriers and with the mutual fund market in general. Segregated funds assets grew by 21%. Individual segregated fund assets grew by 28% in a year when total mutual fund assets in Canada increased by 18%, based on Investment Funds Institute of Canada (IFIC) statistics. Group client assets in segregated funds grew by 17%. The Company maintained its hold on the leading market share position in the segregated funds market.

Individual Savings Plan gross sales came in approximately 5% lower in 1999, in a year in which sales in the entire investment fund industry were depressed. The Company's Individual segregated fund retention experience in 1999 was more favourable than 1998, due in large part to a strengthened investment process representatives use in assisting clients with their investment decisions. This experience contributed to 1999 net cashflow of 16% of beginning assets, compared to 5% for the Canadian mutual fund industry.

A decline in the number of large case Group retirement transfers resulted in a decrease in Group savings plan revenue premium in 1999. The introduction of a new product for large groups in November is expected to accelerate growth in this market.

Risk Analysis and Management – The Company's segregated fund business is fee based, with revenue and profitability based on the market value of segregated funds assets under administration. Fluctuations in segregated funds asset levels will occur as a result of both changes in cashflow and general financial market conditions. Through the wide range of segregated funds offered by the Company, risk exposure to any particular market is limited. As well, the Company advocates a long-term asset allocation approach for its clients, which reduces the risk to the Company of cashflow changes due to market timing.

A risk facing the industry is the trend toward offering guarantees to clients against losses on segregated funds investments. The Company is working actively within the industry to establish sound reserving and capital standards, and effective regulation for these guarantee products. The Company expects that federal regulations governing the capital requirements for segregated funds guarantees will be issued by the end of 2000. The vast majority of the

Retirement & Investment Services (R&IS) provides long-term savings and investment products for individuals and employer groups. The Division focuses its sales and reinvestment activities on investment funds, which offer the potential for superior investment returns for the customers and satisfactory profit margins for the Company.

The Individual products manufactured for London Life are proprietary to the London Life field force, while the Individual products manufactured by Great-West are sold by Great-West representatives as well as independent brokers.

For Group retirement business, a common product is marketed in the employer market by London Life representatives, Great-West agents, independent brokers and through consultants.

GWL Investment Management Ltd. (GWLIM) and London Life Investment Management Ltd. (LLIM), both wholly-owned subsidiaries, are responsible for client service and marketing to large pension funds. In addition, GWLIM and LLIM manage a number of the Company's pooled and separately managed investment funds.

Company's guarantees are at the level of 75% of policyholder deposits less withdrawals at maturity, rather than the more aggressive 100% in 10 years seen in the industry. An additional premium is required to access a 100% guarantee through an enhanced guarantee rider.

OUTLOOK – IIIP

With the initiatives of 1999, the Company offers a strengthened range of insurance and investment products to meet consumers' financial security needs. In 2000, the Company will focus on marketing these products, and anticipates modest sales growth in what it expects will continue to be a very competitive environment.

The Company sees growth opportunities in two key areas: the wealth accumulation market, and disability insurance market. With the demographic shift to an aging population, consumers' insurance and investments needs are changing. In the wealth accumulation markets, clients are increasingly demanding the kind of services offered by the Company's distribution channels. In particular, the Company's Tax and Estate Planning unit is proving to be an important strength arising from the acquisition of London Life and a strategic advantage in the market.

The shift from mortgage debt repayment to long-term investment thinking which accompanies the maturing of the population will continue to create a significant demand for investment products and advice. The Company expects this to be bolstered by relatively strong markets in 2000, combined with a renewed interest in Canadian investments. For 2000, the Company is planning a number of product and service enhancements for the wealth management market. The Company expects its new group retirement products introduced in the fall to enhance its sales position in this market and its overall market share strength.

There is significant growth potential for disability insurance in Canada. Only 5% of employed Canadians have individual disability insurance coverage, and 50% have group coverage. With a broad, competitive product portfolio and extensive distribution system, Great-West has a strong market position, and anticipates continued growth in sales and premium income in 2000. In 2000, the Company will tap into a new market with the introduction of a critical illness product. This product will complement existing disability insurance products, and round out the Company's product offering for its various distribution channels.

With demutualization, the major competitors in the Individual insurance marketplace are now exposed to similar financial expectations. The Company views this as positive, creating a more price rational market. In this environment, Great-West is well-positioned for growth.

The Company offers more than 40 segregated funds to individual clients, and 20 mutual funds for London Life clients. Clients can choose from up to eight different fund managers. Group sponsors can choose to offer their employees up to 100 investment choices.

REINSURANCE AND SPECIALTY GENERAL INSURANCE

Net operating income before income taxes of $96 million is up $14 million in total from 1998 levels. However, after adjusting for sold operations, net operating income increased $9 million in 1999 from the previous year levels. This result includes increased income for London Guarantee and an improvement in Asian operations associated with London Life International.

The Company conducts its reinsurance and specialty general insurance business primarily through London Reinsurance Group, London Guarantee and London Life International, which participate in life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets.

CONSOLIDATED NET OPERATING INCOME BEFORE INCOME TAXES

Years ended December 31 (in $ millions)

	1999	1998
Income:		
Premium income	$ 2,075	$ 2,725
Net investment income	379	271
Fee and other income	4	20
Total income	2,458	3,016
Benefits and Expenses:		
Paid or credited to policyholders	2,310	2,844
Other	52	90
Net operating income before income taxes	$ 96	$ 82

LONDON REINSURANCE GROUP (LRG)

Net operating income before income taxes for 1999 is unchanged from 1998. Good growth and profits in 1999 from life, annuity and property and casualty markets were offset by losses in its smaller accident and health reinsurance business. LRG's plans are to run-off under-performing business areas in accident and health, and the Company has terminated its participation in the London, England accident and health brokered markets.

Premium income is down primarily due to the nature of underlying life reinsurance contracts written in 1999. Fewer structured reserve transfer contracts were written, but total margins from this product segment increased from 1998.

Net reduction in capital and surplus from year to year reflects a $75 million dividend payment from LRG to London Life. Net assets increased by approximately $82 million reflecting underlying business growth offset somewhat by a strengthening of the Canadian dollar relative to the U.S. dollar.

Risk Analysis and Management – LRG continues to manage its own risk through the diversification of its business by client, geographic area and type of risk insured. This stable base of lower risk business, together with a conservative approach to underwriting, investment and financial management allows LRG to deal with a constantly changing business environment.

LRG's capacity to write financial reinsurance business is determined primarily by its ability to issue letters of credit to clients and maintain a strong liquidity position. During 1999, LRG successfully arranged a U.S. $1.25 billion syndicated letter of credit facility.

The consolidation of the reinsurance industry is probably the most significant trend affecting how reinsurance business is conducted. LRG's response to this industry consolidation has been to broaden its life and non-life reinsurance product offerings and strengthen its relationships with core clients.

Great-West has identified reinsurance as a core business. The Company's reinsurance business is conducted through London Reinsurance Group (LRG). LRG is a leading global provider of specialty finite reinsurance and holds a strategic position in a number of niche retrocession and reinsurance markets. LRG reinsures life, property and casualty, accident and health and annuity business primarily in the United States and Europe, through operating companies in the United States, Barbados and Ireland. LRG is a market leader in the U.S. property and casualty finite retrocession market and holds a strong market share in the U.S. life financial reinsurance market.

LONDON REINSURANCE GROUP – DIVISIONAL SUMMARY

December 31 (in $ millions)

	1999		1998	
	Premium Revenue	Assets	Premium Revenue	Assets
Line of Business				
Life	$ 1,154	$ 2,030	$ 1,943	$ 1,848
Property and casualty	469	1,691	397	1,669
Accident and health	88	130	71	100
Annuity	312	1,077	235	1,215
Capital and surplus	–	698	–	712
	$ 2,023	$ 5,626	$ 2,646	$ 5,544
Geographic				
Barbados	$ 1,789	$ 4,835	$ 2,425	$ 4,780
Other	234	791	221	764
	2,023	$ 5,626	$ 2,646	$ 5,544

OUTLOOK – LRG

In the coming year, LRG sees opportunities for expansion in the areas of property and casualty, life and annuity businesses. The United States financial life business has been a growth area for the last two years and that trend is expected to continue. LRG is in a unique position to take advantage of this market because its subsidiaries in Dublin and Barbados are dual-licensed, meaning they can write both property/casualty and life reinsurance contracts.

LRG looks forward to ongoing expansion in its core businesses, complemented by growth from acquisitions and the development of new product lines. LRG expects to see improvement in margins in property and casualty and accident and health businesses as these product lines benefit from improved pricing in the marketplace. Focusing on returns on risk-based capital, LRG will not hesitate to rationalize any of its business areas if it cannot earn sufficient returns.

LRG will continue to develop strong business relationships in the insurance industry on a global basis and underwrite both life and non-life reinsurance contracts using a conservative and disciplined approach to underwriting.

LRG will continue to look at acquisitions and new business areas in which the expertise it has developed in its core businesses would be of the greatest value.

LONDON GUARANTEE

Within its core businesses, London Guarantee differentiates itself from the competition through the quality of its underwriting and by maintaining strong relationships with its key brokers. This has permitted the Company to achieve levels of growth and underwriting profitability that compare very favourably with the property and casualty industry in general.

Total premium revenue increased to $52 million from $44 million in 1998. Premium revenue from the Company's Surety lines grew by more than 20% in 1999, reflecting its dominant position in the buoyant Ontario and Quebec markets and its recent expansion into the north-eastern United States. While the Company does not expect to achieve this rate of growth in 2000, its status as the second largest Surety underwriter in Canada, and its commitment to remain focused on underwriting quality and key broker relationships will ensure it maintains and builds on its success.

Risk Analysis and Management – London Guarantee's markets for its corporate risk lines have become increasingly crowded over the last few years because of the margins that were achievable. This consequently placed significant pressure on prices. Regardless, the Company will not deviate from its focus on underwriting and the brokers it deals with, knowing that both are ultimately critical for its continuing success. For 2000, the Company expects premium revenue in these lines to grow by 15% to 20%.

In order to limit its exposure to loss, London Guarantee uses pro rata sharing arrangements to cede approximately 25% of its underwriting risk to well-established North American and European reinsurance companies. In addition, the Company has reinsurance arrangements in place to limit both its share of large individual losses and the aggregated impact of a series of large losses.

LONDON LIFE INTERNATIONAL

London Life commenced its retail insurance operations in Asia in 1993, with the establishment of Shin Fu Life in Taiwan.

Shin Fu is a venture between London Life International and Central Investment Holding Company, a leading Taiwan diversified investment company. Shin Fu distributes a variety of life insurance, endowment products and health insurance riders to the large, growing middle market in Taiwan.

The insurance industry in Taiwan is undergoing a consolidation process. Throughout 1999, London Life International had discussions with its partner to determine what opportunities and strategies may result from this consolidation.

Great-West Lifeco Inc.
FINANCIAL INFORMATION – UNITED STATES SEGMENT
CONSOLIDATED OPERATIONS
(in $ millions)

Years ended December 31	1999			1998			
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total	% Change
Income:							
Premium income (1)	$ 2,360	$ 401	$ 2,761	$ 2,405	$ 424	$ 2,829	-2 %
Net investment income	957	429	1,386	996	420	1,416	-2 %
Fee and other income	945	(1)	944	766	–	766	23 %
Total income	4,262	829	5,091	4,167	844	5,011	2 %
Benefits and Expenses:							
Paid or credited to policyholders	2,601	788	3,389	2,793	798	3,591	-6 %
Other	1,194	27	1,221	966	30	996	23 %
Net operating income before income taxes	467	14	481	408	16	424	13 %
Income taxes	138	(6)	132	136	10	146	-10 %
Net income before minority and other interests	329	20	349	272	6	278	26 %
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries							
Participating policyholders	–	20	20	–	6	6	233 %
Preferred shareholder dividends	6	–	6	7	–	7	-14 %
Minority shareholders' interest	1	–	1	1	–	1	–
	7	20	27	8	6	14	93 %
Net income before goodwill amortization	322	–	322	264	–	264	22 %
Amortization of goodwill	1	–	1	–	–	–	–
Net income	$ 321	$ –	$ 321	$ 264	$ –	$ 264	22 %
Summary of Net Income							
Preferred shareholder dividends	$ –	$ –	$ –	$ 8	$ –	$ 8	–
Net income – common shareholders	321	–	321	256	–	256	25 %
Net income	$ 321	$ –	$ 321	$ 264	$ –	$ 264	22 %
(1) excludes							
– segregated funds deposits	*$ 3,837*	*$ –*	*$ 3,837*	*$ 3,276*	*$ –*	*$ 3,276*	*17 %*
– self-funded premium equivalents (ASO)	*$ 4,425*	*$ –*	*$ 4,425*	*$ 3,866*	*$ –*	*$ 3,866*	*14 %*

Reference is made to note 14 of the Lifeco financial statements, Segmented Information, for the presentation of United States Operations.

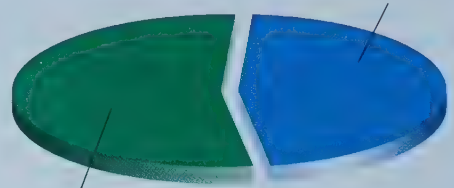
1999 UNITED STATES OPERATING RESULTS

Net income from United States operations of Lifeco for 1999 was $321 million, compared to $264 million for 1998. Net income attributable to common shareholders was $321 million, up from $256 million for 1998.

The positive earnings results were due to a combination of improvement in investment results, increased segregated funds fee income, and favourable morbidity experience.

In terms of reportable segments, increases in net operating income before income taxes was up from 1998 levels for both segments. A discussion of those results follows in the major business unit reports.

Net Operating Income Before Income Taxes – Shareholders *($ millions)*



1998 figures are shown in brackets.

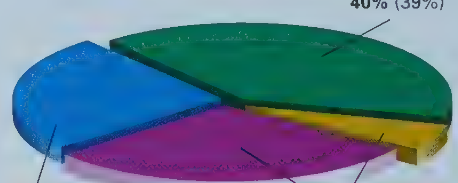
PREMIUMS AND DEPOSITS

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	1999	1998	% Change	1999	1998	% Change
Business/Product						
Employee Benefits						
Group life and health	$ **5,927**	$ 5,008	18 %	$ **956**	$ 1,002	-5 %
401(k)	**2,632**	2,382	10 %	**944**	874	8 %
Financial Services						
Savings	**1,321**	1,331	-1 %	**651**	724	-10 %
Insurance	**1,143**	1,250	-9 %	**651**	644	1 %
	$ **11,023**	$ 9,971	11 %	$ **3,202**	$ 3,244	-1 %
Summary by Type						
Guaranteed products	$ **2,761**	$ 2,829	-2 %			
ASO contracts	**4,425**	3,866	14 %			
Segregated funds deposits						
– individual products	**618**	310	99 %			
– group products	**3,219**	2,966	9 %			
Total premiums and deposits	$ **11,023**	$ 9,971	11 %			

PREMIUMS AND DEPOSITS

The 11% increase in premium income and deposits in 1999 was comprised of growth in Employee Benefits premium income of $1.2 billion, offset by a decrease in Financial Services premium income and deposits of $117 million. The growth in premium income in the Employee Benefits segment is primarily due to premium equivalents from ASO contracts. Guaranteed premiums are up due to the growth in premiums of $299 million from the 1998 acquisition of Anthem Health & Life Insurance Company, now renamed Alta Life and Health Insurance Company (Alta). The decrease of $117 million in Financial Services premium income was due to lower premium renewal income from Corporate Owned Life Insurance (COLI).



1998 figures are shown in brackets.

The decrease in the guaranteed products of 2% reflects that Bank Owned Life Insurance (BOLI) premium fell by $288 million in the guaranteed products, as the Company introduced a variable life product which accounted for $297 million of the segregated funds deposit increase in Individual products. The ASO equivalent premium growth of 14% to $4.4 billion is driven by Alta, which was up $405 million. The segregated funds increase of 9% in Group products is the result of 401(k) business.

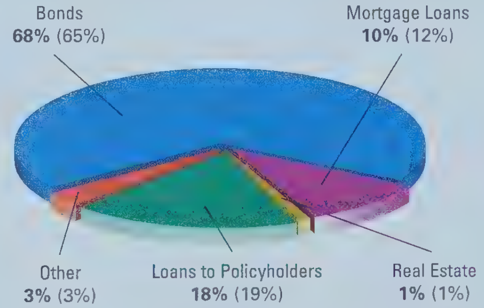
Acquisitions

On October 6, 1999, GWL&A, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with Allmerica Financial Corporation (Allmerica) to acquire Allmerica's Group life and health insurance business on March 1, 2000. This acquisition is anticipated to add 300,000 new medical members and approximately $1.2 billion of equivalent premium income. This business primarily consists of administrative services only and stop loss policies. The in-force business is expected to be underwritten and retained by GWL&A upon each policy renewal date. The purchase price, as defined in the agreement, will be based on a percentage of the amount of premium equivalents in force at March 1, 2000, plus a percentage of the premium equivalents in force at March 1, 2001.

Effective January 1, 2000, GWL&A coinsured General American Life Insurance Company's (General American) Group life and health insurance business, which primarily consists of administrative services only and stop loss policies. This adds approximately 900,000 medical members representing approximately $2.5 billion of premium and premium equivalents. The agreement is expected to convert to an assumption reinsurance agreement by January 1, 2001, pending regulatory approval. GWL&A will assume approximately $216 million of policy reserves and miscellaneous liabilities in exchange for an equal amount of cash and other assets from General American.

NET INVESTMENT INCOME

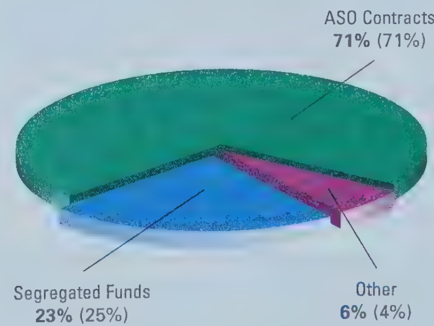
Net investment income for 1999, representing the investment revenue from general funds assets (excludes segregated funds assets) decreased 2% compared to 1998, reflecting market conditions. The bond component of net investment income increased to 68% in 1999, as the Company continues to invest primarily in investment grade bonds.



1998 figures are shown in brackets.

FEE INCOME

Fee income is derived from the management of segregated funds assets and the administration of Group health ASO business. The increase in fee income in 1999 is a combination of Alta growth and increases in segregated funds assets of 17%, which continue to reflect the strength of the U.S. equity markets.



1998 figures are shown in brackets.

PAID OR CREDITED TO POLICYHOLDERS

This amount is made up of increases in policy reserves, claims, surrenders, annuity and maturity payments, dividend and experience refunds, as well as future claims, dividends and refund provisions.

The guaranteed products paid or credited to policyholders decreased 6% when compared to 1998. The decrease is primarily related to a decrease in actuarial liabilities of $232 million, which reflects a decrease in BOLI guaranteed premium.

Policyholder dividends credited in 1999 were $149 million compared to $153 million in 1998.

OTHER

Included in other benefits and expenses are operating expenses, commission payments, as well as premium and other taxes.

Operating expenses for 1999 are higher than 1998 levels by 24% or $176 million. Expenses are $139 million higher for the Employee Benefits segment, due to the acquisition of Alta and the higher costs of managed care operations. Financial Services operating expenses increased $37 million reflecting the growth of administrative services in FASCorp.

Commissions include sales compensation related to guaranteed products, as well as segregated funds and administrative services only contracts. The increase of 18% is all related to Alta commissions which increased $37 million.

CONSOLIDATED BALANCE SHEET

(in $ millions)

December 31	1999			1998		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
ASSETS						
Invested assets	$ 13,345	$ 6,424	$ 19,769	$ 14,645	$ 6,441	$ 21,086
Goodwill	36	–	36	30	–	30
Other assets	946	228	1,174	840	291	1,131
Total assets	$ 14,327	$ 6,652	$ 20,979	$ 15,515	$ 6,732	$ 22,247
Segregated funds assets			17,998			15,435
Total assets under administration			$ 38,977			$ 37,682
LIABILITIES, CAPITAL STOCK AND SURPLUS						
Policy liabilities	$ 11,386	$ 6,280	$ 17,666	$ 12,523	$ 6,340	$ 18,863
Net deferred gains on portfolio investments sold	92	4	96	131	6	137
Other liabilities	1,034	160	1,194	1,155	186	1,341
Total liabilities	12,512	6,444	18,956	13,809	6,532	20,341
Minority and other interests	–	208	208	–	200	200
Capital stock and surplus	1,815	–	1,815	1,706	–	1,706
Total liabilities, capital stock and surplus	$ 14,327	$ 6,652	$ 20,979	$ 15,515	$ 6,732	$ 22,247

ASSETS

Total assets under administration increased $1.3 billion or 3% in 1999 when compared to the year ended December 31, 1998. Segregated fund assets increased $2.6 billion primarily due to the strength of the equity markets in the United States. The invested assets of the general fund decreased $1.3 billion primarily due to the change in U.S. exchange rates, which resulted in a $1.2 billion reduction.

Invested Assets – Net investment income remained unchanged at $1.4 billion, compared to 1998. The Company's overall investment portfolio earned a yield of 7.1% in 1999 compared to 7.4% in 1998.

In 1999, funds available for investment and mortgages subject to renewal and rate adjustment totalled $2.0 billion, and were placed as follows:

- 29% in U.S. government and agency bonds,

- 66% in other bonds,
- 5% in mortgage renewals.

The Company's new bond investments included not only publicly-traded securities, but also well-structured private placements which typically offer higher yields and better covenant protection than public bonds. The Company anticipates investment grade bonds will remain the largest component of its 2000 investment program.

As of December 31, 1999, approximately 92% of the Company's invested assets were cash, bonds, or policy loans. The overall quality of the bond portfolio, the largest single component of the Company's invested assets, continues to be high, with virtually 100% of the portfolio rated investment grade.

Structured securities increased to 46% of the bond portfolio, while corporate bonds decreased to 54% of the bond portfolio. The structured securities category includes both asset-backed and mortgage-backed securities. The Company's strategy, related to these assets, is to focus on those with low volatility and minimal credit risk.

The aggregate amount of non-performing loans at December 31, 1999 was $35 million or 0.2% of portfolio investments, compared with $25 million or 0.2% at the end of 1998. Total allowances for credit losses were $121 million at year-end 1999, compared to $141 million at the end of 1998, with nearly half of the decrease attributable to the change in United States translation rates.

The U.S. equity portfolio consists primarily of the Denver home office, minimal other real estate, seed money in some of the Company's mutual funds and a small number of private equities. The Company anticipates a limited participation in real estate and the equity markets during 2000, and continues to stress variable funds for those policyholders wanting to invest in equities.

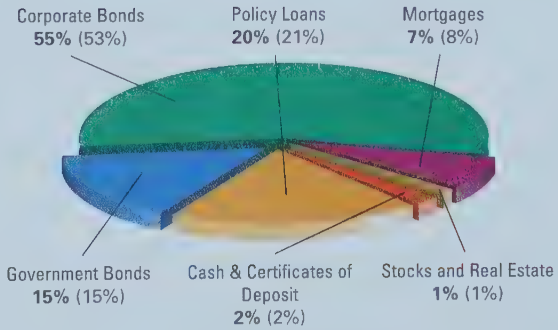
Both general fund and segregated funds assets are managed or administered by the Investment Division of the Company. Within the Company's conservative investment policies, the Investment Division manages portfolios of assets to produce a steady source of income to support the cash flow and liquidity requirements of the Company's insurance and investment products. The Company invests the majority of its general funds in medium-term and long-term fixed-income securities, primarily bonds and mortgages, which reflect the nature of the liabilities being matched.

The Investment Division reviews its investment strategy on an ongoing basis in light of liability requirements and current economic and market conditions. The Company's investment policies limit concentrations of risk within its investment and lending portfolios, which are well-diversified by asset class, industry sector, location and size of borrowers.

ASSET DISTRIBUTION

December 31 (in $ millions)

	1999	1998
Government bonds	$ 2,870	$ 3,032
Corporate bonds	10,927	11,238
Mortgages	1,407	1,728
Stocks and real estate	228	195
Sub-total portfolio investments	15,432	16,193
Cash & certificates of deposit	442	493
Policy loans	3,895	4,400
Total invested assets	$ 19,769	$ 21,086

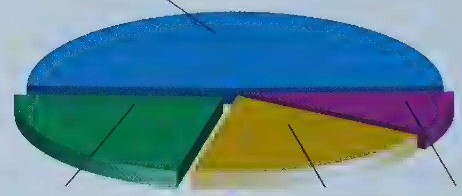


1998 figures are shown in brackets.

BOND PORTFOLIO QUALITY

(excludes $324 million short-term investments, $451 million in 1998)
December 31 (in $ millions)

	1999	1998
Estimated Rating		
AAA	$ 6,617	$ 6,296
AA	1,238	1,356
A	2,613	3,267
BBB	2,981	2,852
BB or lower	24	48
Total	$ 13,473	$ 13,819



1998 figures are shown in brackets.

LIQUIDITY

The liquidity needs of the United States operations of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 88% of policy liabilities are non-cashable prior to maturity, subject to market value adjustments or withdrawal penalties.

At December 31, 1999, United States operations had repurchase agreements with third-party broker-dealers of $116 million, compared with $374 million at December 31, 1998, and no outstanding commercial paper at December 31, 1999, compared with a program of $61 million at December 31, 1998.

Additional liquidity is available through established lines of credit and through the demonstrated ability of the Company to access the capital markets.

LIQUID ASSETS – UNITED STATES OPERATIONS

December 31 (in $ millions)

	1999		1998	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & short-term investments	$ 442	$ 442	$ 493	$ 493
Highly marketable securities				
– Government bonds	2,870	2,784	3,032	3,127
– Corporate bonds	5,485	5,313	5,339	5,440
– Common/Preferred shares	66	79	70	82
Total	$ 8,863	$ 8,618	$ 8,934	$ 9,142

LIABILITY CHARACTERISTICS – UNITED STATES OPERATIONS

December 31 (in $ millions)

	1999		1998
	Book Value	Liquidity Need	Book Value
Policies non-cashable prior to maturity	$ 5,417	VERY LOW	$ 6,061
Policies subject to market value adjustment	6,122	LOW	6,749
Policies with surcharges	3,811	MODERATE	3,815
Policies with no surcharges	2,142	MODERATE	2,048
Total	$ 17,492		$ 18,673

SEGREGATED FUNDS

The Company continues to offer a broad selection of mutual and segregated funds. During 1999, such funds administered by the Company grew to $18.0 billion, compared with $15.4 billion at year-end 1998. Included in the December 31, 1999 balance is $9.3 billion of assets in Maxim and Orchard Funds, with 31 different portfolio offerings.

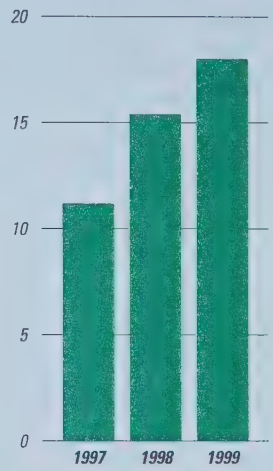
The Maxim and Orchard (internally-managed mutual funds) portfolios are composed of two money market funds, seven managed fixed income funds, nine indexed equity funds, and 13 managed equity funds. The goal of the index funds is to provide returns which approximate the returns of the comparable indexes. The remaining funds are targeted to meet or beat the returns of predetermined comparable indexes or other targets.

SEGREGATED FUNDS ASSETS

December 31 (in $ millions)

	1999	1998	1997	1996	1995
Maxim & Orchard Funds					
Equity funds	**$ 7,022**	$ 6,608	$ 4,702	$ 2,759	$ 1,764
Fixed-income funds	**1,277**	1,206	920	691	578
Money market fund	**1,044**	953	652	543	377
Total	**$ 9,343**	$ 8,767	$ 6,274	$ 3,993	$ 2,719
Other internally-managed funds	**1,247**	900	693	583	491
Externally-managed funds	**7,408**	5,768	4,232	2,867	2,100
	$ 17,998	$ 15,435	$ 11,199	$ 7,443	$ 5,310
Year over year growth	**17 %**	38 %	50 %	40 %	–

Segregated Funds Assets
($ billions)



OUTLOOK – INVESTMENT

The U.S. economy delivered 4% growth in 1999 GDP, marking its third year of growth in excess of 4%. The last comparable period of growth occurred from 1976 to 1978. The economy's strength, increasing signs of inflation and the easing of the Asian economic crisis prompted the Federal Reserve Board to increase the Federal Funds Rate by a quarter point three times during the year. Continued strong GDP growth is anticipated in 2000. This may lead to further interest rate increases.

The Company's investment portfolio is well-positioned if interest rates rise. The portfolio is characterized by quality, stability, diversification, and limited interest rate sensitivity. Asset acquisitions in 2000 will be investment grade bonds appropriate for prevailing interest rates and the liabilities presented. During 2000, the Company intends to continue its proactive portfolio management policies in order to ensure the quality and performance of its investments.

BUSINESS SEGMENTS – UNITED STATES

EMPLOYEE BENEFITS

Employee Benefits provides a full range of employee benefit products to more than 12,800 employers across the United States. GWL&A offers employers the advantage of a total benefits solution – an integrated package of Group life and disability insurance, managed care programs, 401(k) savings plans and flexible spending accounts. Through integrated pricing, administration, funding, and service, Employee Benefits helps employers provide cost-effective benefits that will attract and retain quality employees, and at the same time, helps employees reach their personal goals by offering benefit alternatives, along with information needed to make appropriate choices. Employee Benefits distributes its products and services through GWL&A, New England Financial, and Alta.

CONSOLIDATED NET OPERATING INCOME BEFORE INCOME TAXES

Years ended December 31 (in $ millions)

	1999	1998
Income:		
Premium income	$ 1,542	$ 1,198
Net investment income	144	140
Fee and other income	815	660
Total income	2,501	1,998
Benefits and Expenses:		
Paid or credited to policyholders	1,247	967
Other	996	809
Net operating income before income taxes	$ 258	$ 222

Net operating income before income taxes for Employee Benefits increased 16% in 1999, reflecting increased fee income from the variable 401(k) assets and improved Group morbidity experience which more than offset unfavorable mortality experience and the increased level of operating expenses.

A major contributor to the improved life and health operating results was the $17 million earnings improvement at Alta. These results reflect an aggressive repricing effort on the self-funded and insured business, and a focus on the conversion of fully insured cases to higher margined self-funded products. Alta has commenced the process of exiting the insured employer health market that is subject to small group reform regulation. This block of business typically has employers with less than 10 employees, and is not consistent with management's self-funding strategy. Larger employers in this segment will be offered a conversion to a self-funding product.

401(k) premiums and deposits increased 10% from 1998 as a result of higher recurring deposits from existing customers and sales in 1999.

EMPLOYEE BENEFITS – DIVISIONAL SUMMARY

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	1999	1998	% Change	1999	1998	% Change
Business/Product						
Group life and health – guaranteed	$ 1,502	$ 1,142	32 %	$ 13	$ 15	-13 %
– ASO	4,425	3,866	14 %	943	987	-4 %
Group life and health fee income	675	545	24 %	–	–	–
401(k)	2,632	2,382	10 %	944	874	8 %
401(k) fee income	140	115	22 %	–	–	–
Total	$ 9,374	$ 8,050	16 %	$ 1,900	$ 1,876	1 %

GROUP LIFE AND HEALTH

The 1999 equivalent premium income for Group life and health was $5.9 billion, an increase of 18% from 1998. The Company experienced net case growth of 468 cases, which is primarily the result of a new simplified self-funded product introduced in the second half of the year. Over 80% of new case sales are selecting the new simplified self-funded product, which is a favorable reflection of market acceptance. This product delivers a lower cost to the customer and encourages persistency of customers with favorable loss ratios. The Company did experience an increased number of customer terminations compared to 1998 as a result of pricing actions designed to improve profitability and offset higher than expected medical trends.

The Company made two acquisitions in 1999, which will increase medical membership and have an impact on operations in 2000. On October 6, 1999 GWL&A acquired the Group life and health business of Allmerica. Effective March 2000, GWL&A will assume the in-force Allmerica business and then convert each case as it renews to GWL&A administration. It is estimated that this will result in an additional 300,000 medical members and $1.2 billion of equivalent premium income. In addition, the Company acquired the Allmerica life and health sales organization, which will expand its sales distribution capacity and increase market penetration in cities where GWL&A does not have a sales office.

Effective January 1, 2000, the Company acquired the Group life and health business of General American. GWL&A will coinsure all the risks associated with the General American block of business in 2000. Effective January 2001, GWL&A will assume the General American business through an assumption reinsurance transaction. This acquisition will add approximately 900,000 medical members and $2.5 billion of equivalent premium income. The Company believes expense economies will begin to be recognized in the operations and administration of this unit in 2001.

401(K)

The total number of net 401(k) case sales decreased from 372 in 1998 to 326 in 1999. Third-party administration business generated through the Company's marketing and administration arrangement with The New England, decreased 27.3% to 93 in 1999 from 128 a year ago. The total 401(k) block of business under administration totals 6,447 employer groups and more than 500,000 individual participants, compared to 6,121 employer groups and more than 475,000 individual participants in 1998.

During 1999, the in-force block of 401(k) business had modestly higher terminations, which resulted in persistency of 92.9%, compared to 93.0% in 1998. Total assets under management increased from $10.3 billion to $12.0 billion. The increase in assets is primarily attributed to strong market earnings, and a net increase in the number of in-force clients.

Participants can elect to contribute funds to either GWL&A's internally managed funds or externally managed funds from recognized mutual fund companies such as AIM, Fidelity, Putnam, and American Century. The Company continues to review investment opportunities for participants, and has recently entered into agreements with Janus, INVESCO and Dreyfus. The Company also introduced new 401(k) products in 1999, which permit the customer to elect between a product with and without variable asset charges and allow participants to access a self-directed brokerage account.

Currently 401(k) products are distributed through the Company's internal sales force, as well as through a marketing agreement with New England Financial. In 2000, 401(k) products will be distributed through the former Allmerica sales representatives and the Alta sales force.

Risk Analysis and Management – There are risk factors associated with both the Group life and health and 401(k) lines of business.

Health care risks include medical cost inflation, which may exceed annual pricing adjustments to policyholders. In addition, changes in utilization may impact health care costs. These utilization trends can be attributable to adjustments in the health care delivery system, such as the development of new practice standards or breakthrough treatments.

The Company manages some of these risks through product design. One example is the extensive use of self-funded health care plans. In addition, the Company's new simplified funding product, introduced in 1999, encourages persistency of customers. The Company manages utilization through ONE Corp., which is responsible for negotiating provider contracts. The Company is investing in enhanced managed care programs and service, and continues to emphasize quality assurance programs.

The Company has managed the impact of the variability of 401(k) fee revenue caused by market fluctuations through utilization of a financial hedge. In addition, the Company protects itself from risks associated with early surrenders through contract fees and termination charges.

OUTLOOK – EMPLOYEE BENEFITS

The Alta, General American, and Allmerica acquisitions help to provide GWL&A with critical mass to compete in the consolidating health care insurance business. Through a combination of internal growth and new business acquisitions, the Company will grow from 2.1 million members to 3.4 million members by the end of the first quarter of 2001. The Company's life and health and 401(k) sales are projected to

double from 1999 results. In order to remain competitive, a focused effort on provider contracting is essential to ensure competitive morbidity results. A continuing focus on expense levels and synergies will ensure competitive administrative expenses. The successful consolidation of the benefit payment offices will remain an important operational issue from both a cost and quality perspective.

The Company will continue the expansion of its One Health Plan managed care subsidiaries. In 2000, it is anticipated that three new licensed HMOs, in Kansas, Missouri and Pennsylvania will be approved. This will bring the total number of licensed One Health Plan HMOs to 18, and will provide current customers with a comprehensive national managed care network.

Delivering cost-effective, value-added services via the internet will continue to be a main focus for the Company. The Company has already introduced online enrollment capability for 401(k) participants, and later in 2000 it will introduce this same type of functionality for life and health members. In addition, the Company has signed an agreement with an online Investment Advisor to provide 401(k) participants with personal investment advice via the internet. This action, combined with a very competitive product portfolio should result in an increase in new case sales.

FINANCIAL SERVICES

CONSOLIDATED NET OPERATING INCOME BEFORE INCOME TAXES

Years ended December 31 (in $ millions)

	1999			1998		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Income:						
Premium income	$ 818	$ 401	$ 1,219	$ 1,207	$ 424	$ 1,631
Net investment income	813	429	1,242	856	420	1,276
Fee and other income	130	(1)	129	106	–	106
Total income	1,761	829	2,590	2,169	844	3,013
Benefits and Expenses:						
Paid or credited to policyholders	1,354	788	2,142	1,826	798	2,624
Other	198	27	225	157	30	187
Net operating income before income taxes	$ 209	$ 14	$ 223	$ 186	$ 16	$ 202

Total net operating income before income taxes for Financial Services increased 10% in 1999. Shareholder net operating income before income taxes increased 12%, reflecting higher earnings from an increase in investment margins, additional fee income from new third-party administration cases and growth from strong equity markets, and improved mortality.

Sales and premium income results are discussed below by major business unit. Overall sales were down 5% over 1998 levels, as single premiums in 1999 were lower than 1998 by $92 million.

A regulated percentage of returns in the participating account is credited to the shareholders' account. In 1999 the amount credited was $6.8 million.

The Financial Services Division develops, administers, and sells retirement savings and life insurance products and services for individuals and employees of state and local governments, hospitals and non-profit organizations, and public school districts.

Financial Services primarily uses BenefitsCorp, a wholly-owned subsidiary, to distribute pension products and to provide communication and enrollment services to employers in the public/non-profit market. Pension products are also distributed through independent marketing agencies.

The Company distributes term universal and joint survivor life insurance, as well as individual fixed and variable qualified and non-qualified deferred annuities, through Charles Schwab and Co., Inc. Individual life products are also sold through large banks and other financial institutions. Bank Owned Life Insurance products are marketed through a broker, Clark/Bardes, Inc.

FINANCIAL SERVICES – DIVISIONAL SUMMARY

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
Business/Product	**1999**	**1998**	**% Change**	**1999**	**1998**	**% Change**
Savings	$ **1,321**	$ 1,331	-1 %	$ **651**	$ 724	-10 %
Savings fee income	**123**	105	17 %	**–**	–	–
Insurance	**1,143**	1,250	-9 %	**651**	644	1 %
Insurance fee income	**6**	1	500 %	**–**	–	–
Total	$ **2,593**	$ 2,687	-3 %	$ **1,302**	$ 1,368	-5 %

SAVINGS

Premiums and deposits totaled $1.3 billion, which was slightly less than 1998. Premiums decreased from $381 million in 1998 to $374 million in 1999. Deposits to separate accounts decreased from $950 million in 1998 to $947 million in 1999.

Fee income increased $23 million or 22% in 1999 to $129 million. The growth in fee income was the result of new sales, increased fees on variable funds related to growth in equity markets, and the increase in revenue from FASCorp, an administrative services company.

The Financial Services core savings business is the public/non-profit (P/NP) pension market. The assets of the P/NP business, including separate accounts but excluding guaranteed investment contracts (GICs), decreased 3.5% during 1999 to $11.4 billion. The decrease was primarily due to one major case moving to an independent money manager. The Company did maintain the administrative services contract and fee income associated with this client.

Financial Services again experienced a very high retention rate on P/NP contract renewals, renewing 100% of contracts that were eligible for renewal during the year. Part of this customer loyalty comes from initiatives to provide high-quality service while controlling expenses.

The Company continued to limit sales of GICs and to allow this block of business to contract in response to the highly competitive GIC market.

Customer demand for investment diversification continued to be strong during 1999. New contributions to variable business represented 64% of the total 1999 premiums versus 63% a year ago. The Company continues to expand the investment products available through its subsidiary mutual fund company, Maxim Series Fund, Inc., and partnership arrangements with external fund managers. Externally-managed funds offered to participants in 1999 included American Century, Ariel, Fidelity, Founders, INVESCO, Janus, Loomis Sayles, Templeton, T. Rowe Price and Vista.

Customer participation in fixed investment rate segregated funds increased, as many customers prefer the security of fixed income securities and segregated funds assets. Assets under management for guaranteed segregated funds were $944 million in 1999, compared to $860 million in 1998.

FASCorp administered records for approximately 1.6 million participants in 1999, compared to 1.3 million in 1998.

This continuing shift from fixed products to variable products and the growth in fee based recordkeeping is reflected in the financial statements where the gross margins remained strong, increasing from $246 million in 1998 to $264 million in 1999.

The Company continues to develop the relationship with Charles Schwab, Inc. In 1999, Charles Schwab sold $320 million of annuities compared to $310 million in 1998.

Risk Analysis and Management – Fixed margins are protected through the use of specific guaranteed certificates and proper matching of assets and liabilities. Emphasis is placed on retention of major cases and the corresponding maturity of certificates of the case. As the business shifts to third-party administration fees and expense risk, the Company hedges market fluctuations of the associated variable fees. Expense management programs are constantly monitored to control unit costs in this growing business segment.

LIFE INSURANCE

Individual life insurance revenue premiums and deposits of $1.1 billion in 1999 decreased 8.6% from 1998 due to a reduction in non-participating COLI premiums. However, the Company experienced strong BOLI sales in 1999 of $648 million. The insurance lines are experiencing the same trend that the savings business has seen over the last few years, as $297 million of BOLI premiums were recorded as segregated funds deposits.

In 1996, the U.S. Congress enacted legislation to phase out the tax deductibility of interest on policy loans on COLI products. As a result of these legislative changes, the

Company has shifted its emphasis from COLI to new sales in the BOLI market. The Company continues working closely with existing COLI customers to determine the options available to them and is confident that the effect of the legislative changes will not be material to the Company's operations.

The Company continues to develop the marketing of life policies through institutional customers, such as Charles Schwab, Inc., and certain large banks. In 1999, Charles Schwab sold 3,700 life insurance policies, compared to 102 insurance policies in 1998. Institutional bank sales of life policies in 1999 totalled 5,100 policies. There were no significant sales of bank policies in 1998.

Risk Analysis and Management – The traditional lines of insurance are no longer actively marketed. Various programs have been introduced emphasizing the retention of the business. New sales in the institutional markets are protected against anti-selection by reinsuring 50% of the risk.

In the large case BOLI business, the risk associated with surrenders is protected by the income tax consequences of surrendering the policy and through contract provisions which restrict funds available for withdrawal. The asset default risk is being mitigated by the trend of moving more of the new business to segregated funds.

OUTLOOK – FINANCIAL SERVICES

During 2000, the Company expects to continue its growth of third party administration business through FASCorp. The savings business will continue to improve customer service and, at the same time, lower unit costs through the use of Internet services.

The Company will continue to emphasize the development of the institutional life insurance and annuity markets.

Internet sales and service is also expected to play a significant role in the life insurance business lines. Increased emphasis was placed on improving Internet functionality during 1999, and it will continue to be a focus in the coming year in the bank and institutional markets .

Strong sales are expected in the BOLI markets as customers are more comfortable with the use of segregated funds for their investments.

consolidated
FINANCIAL STATEMENTS

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimate due to dependency on subsequent events. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The consolidated financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists entirely of Directors not involved in the daily operations of the Company. The function of the Audit Committee is to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Board of Directors of The Great-West Life Assurance Company, pursuant to Section 165(2)(i) of the *Insurance Companies Act* (Canada), appoints the Actuary who is:

- Responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness, and analysis of Company assets for their ability to support the amount of policy liabilities, are important elements of the work required to form this opinion.
- Required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2003 under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's appointed external auditors, have audited the consolidated financial statements. The Auditors' Report to the Shareholders is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of operations of the Company in accordance with generally accepted accounting principles.

O. T. Dackow

Orest T. Dackow
President and Chief Executive Officer

February 2, 2000

William W. Lovatt
Vice-President Finance, Canada

Mitchell T.G. Graye
Vice-President Finance, United States

SUMMARY OF CONSOLIDATED OPERATIONS

For the years ended December 31
(in millions of dollars except earnings per common share)

	1999	1998
Income		
Premium income	$ 8,526	$ 9,237
Net investment income	3,580	3,516
Fee and other income	1,222	1,003
	13,328	13,756
Benefits and Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	9,936	10,680
Commissions	601	538
Operating expenses	1,550	1,445
Premium taxes	123	93
Net operating income before income taxes	1,118	1,000
Income taxes – current	378	216
– future	(12)	145
Net income before minority and other interests	752	639
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries		
Participating policyholders	83	66
Preferred shareholder dividends	34	35
Minority shareholders' interest	6	7
	123	108
Net income before amortization of goodwill	629	531
Amortization of goodwill	60	58
Net income	$ 569	$ 473
Earnings per common share	$ 1.43	$ 1.17

SUMMARY OF NET INCOME

	1999	1998
Preferred shareholder dividends	$ 33	$ 36
Net income – common shareholders	$ 536	$ 437
Net income	$ 569	$ 473

CONSOLIDATED BALANCE SHEET

December 31
(in millions of dollars)

	1999	1998
ASSETS		
Bonds *(note 2)*	$ 30,397	$ 30,714
Mortgage loans *(note 2)*	8,942	9,977
Stocks *(note 2)*	809	792
Real estate *(note 2)*	1,106	1,072
Loans to policyholders	5,162	5,604
Cash and certificates of deposit	732	759
Funds withheld by ceding insurers	2,426	2,174
Premiums in course of collection	496	378
Interest due and accrued	553	678
Future income taxes *(note 11)*	159	210
Goodwill	1,694	1,689
Other assets	780	678
Total assets	$ 53,256	$ 54,725

Approved by the Board

J.W. Burns
Director

O. T. Dackow
Director

	1999	1998
LIABILITIES		
Policy liabilities		
Actuarial liabilities *(note 4)*	$ 40,036	$ 41,128
Provision for claims	735	800
Provision for policyholders' dividends	328	329
Provision for experience rating refunds	421	506
Policyholders' funds	1,913	1,927
	43,433	44,690
Commercial paper and other loans *(note 5)*	690	601
Current income taxes	317	145
Other liabilities	1,593	1,862
Repurchase agreements	116	374
Net deferred gains on portfolio investments sold *(note 2)*	1,189	1,422
	47,338	49,094
Minority and other interests *(note 6)*	2,129	2,083
CAPITAL STOCK AND SURPLUS		
Capital stock *(note 7)*	2,091	2,039
Surplus	1,553	1,250
Provision for unrealized gain on translation of net investment in foreign operations	145	259
	3,789	3,548
Liabilities, capital stock and surplus	$ 53,256	$ 54,725

CONSOLIDATED STATEMENT OF SURPLUS

For the years ended December 31

(in millions of dollars)

	1999	1998
Balance, beginning of year	**$ 1,250**	$ 984
Net income	**569**	473
Share consolidation in subsidiary *(note 6)*	**(13)**	–
Share issue expenses	**(4)**	–
Common share cancellation excess	**(18)**	(7)
Dividends to shareholders		
Preferred shareholders	**(33)**	(36)
Common shareholders	**(198)**	(164)
Balance, end of year	**$ 1,553**	$ 1,250

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31
(in millions of dollars)

	1999	1998
Operations		
Net income	$ 569	$ 473
Adjustments for non-cash items:		
Change in policy liabilities	(192)	1,581
Change in funds withheld by ceding insurers	(252)	(1,235)
Change in current income taxes payable	168	(107)
Future income tax expense	(12)	145
Amortization of goodwill	60	58
Other	(368)	(38)
Cash flows from operations	(27)	877
Financing Activities		
Issue of common shares	5	1
Issue of preferred shares	200	–
Redemption of preferred shares	(200)	–
Purchased and cancelled common shares	(21)	(8)
Issue of subordinated capital income securities	252	–
Repayment of commercial paper and other loans	(163)	(210)
Share issue expenses	(4)	–
Share consolidation	(18)	–
Dividends paid	(231)	(200)
	(180)	(417)
Investment Activities		
Bond sales and maturities	20,932	32,260
Mortgage loan repayments	2,252	2,544
Stock sales	147	349
Real estate sales	30	138
Change in loans to policyholders	201	(167)
Change in repurchase agreements	(243)	(369)
Investment in subsidiaries	(39)	(123)
Investment in bonds	(21,619)	(33,491)
Investment in mortgage loans	(1,312)	(1,332)
Investment in stocks	(92)	(329)
Investment in real estate	(77)	(81)
	180	(601)
Decrease in cash and certificates of deposit	(27)	(141)
Cash and certificates of deposit, beginning of year	759	900
Cash and certificates of deposit, end of year	$ 732	$ 759

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of dollars unless otherwise noted)

1. *BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES*

The consolidated financial statements of Great-West Lifeco Inc. (Lifeco) have been prepared in accordance with generally accepted accounting principles and include the accounts of its subsidiary company, The Great-West Life Assurance Company (Great-West) and its subsidiary companies. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $13 million ($7 million in 1998). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 15% per annum on a declining balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $39 million ($28 million in 1998). The carrying value is adjusted towards market value at a rate of 10% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 10% per annum on a declining balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

(b) Derivative Financial Instruments

Great-West uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative trading purposes.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position.

(c) Foreign Currency Translation

Great-West follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. United States assets and liabilities have been translated into Canadian dollars at the December 31, 1999 market rate of $1.4433 ($1.53 in 1998) and all United States income and expense items have been translated at an average rate of $1.4856 ($1.4835 in 1998). The provision for unrealized gain of $145 million ($259 million in 1998) on foreign currency translation of Great-West's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

Great-West has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of its United States operations into Canadian dollars. Net realized foreign exchange gains and losses are included in investment income.

(d) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance, are fully secured by the cash surrender values of the policies and have effective interest rates ranging from 5% to 8% (1998 - 5% to 8%).

(e) Funds Withheld by Ceding Insurers

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

(f) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of Great-West. Goodwill is amortized on a straight-line basis over its useful life but not exceeding periods of 30 years. Great-West evaluates the carrying amount of goodwill by reviewing returns and projections of future cash flows of the related businesses. Goodwill is written down when impaired and the amortization periods are revised if it is estimated that the remaining period of benefit has changed.

(g) Income Taxes

Income taxes are accounted for in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3465. Current income taxes are based on taxable income and future income taxes are based on taxable timing differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted at the balance sheet date.

(h) Repurchase Agreements

Great-West enters into repurchase agreements with third-party broker-dealers in which Great-West sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

(i) Pension Plans and Other Post Retirement Benefits

Great-West maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group.

Great-West also provides post retirement health and life insurance benefits to eligible employees, agents and their dependents, the cost of which is recognized as incurred unless previously accrued.

(j) Stock Based Compensation

The Company provides compensation to certain employees of the Company and its affiliates in the form of stock options which is described in note 8. No compensation expense is recognized when stock options are issued to employees. When options are exercised, proceeds received by the Company are credited to common share capital.

(k) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted daily average number of common shares outstanding of 373,890,983 (373,242,445 in 1998).

(l) Geographic Segmentation

Great-West has significant operations in Canada and the United States. Operations in other countries are reported with the Canadian operations.

(m) Comparative Figures

Certain of the 1998 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

2. *PORTFOLIO INVESTMENTS*

(a) Carrying values and estimated market values of portfolio investments are as follows:

		1999			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	– government	$ 7,624	$ 2,870	$ 10,494	$ 10,138
	– corporate	8,976	10,927	19,903	19,455
		16,600	13,797	30,397	29,593
Mortgage loans	– residential	4,650	227	4,877	4,851
	– retail and shopping centres	1,096	453	1,549	1,596
	– office buildings	883	424	1,307	1,331
	– industrial	806	129	935	952
	– other	100	174	274	329
		7,535	1,407	8,942	9,059
Stocks	– public	361	44	405	492
	– private	379	25	404	396
		740	69	809	888
Real estate		947	159	1,106	1,271
		$ 25,822	$ 15,432	$ 41,254	$ 40,811

		1998			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	– government	$ 7,643	$ 3,032	$ 10,675	$ 11,170
	– corporate	8,801	11,238	20,039	20,898
		16,444	14,270	30,714	32,068
Mortgage loans	– residential	5,067	277	5,344	5,442
	– retail and shopping centres	1,072	535	1,607	1,704
	– office buildings	999	505	1,504	1,603
	– industrial	928	208	1,136	1,197
	– other	183	203	386	469
		8,249	1,728	9,977	10,415
Stocks	– public	415	29	444	475
	– private	304	44	348	354
		719	73	792	829
Real estate		950	122	1,072	1,174
		$ 26,362	$ 16,193	$ 42,555	$ 44,486

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions are as follows:

	1999					
	Carrying Value					
	Term to Maturity					
	1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 1,026	$ –	$ –	$ 1,026	$ 1,026	3.6%-6.5%
Bonds	1,856	8,579	18,957	29,392	31,437	2.7%-15.0%
Mortgage loans	1,747	4,368	2,983	9,098	9,104	4.0%-13.8%
	$ 4,629	$ 12,947	$ 21,940	$ 39,516	$ 41,567	
Geographic						
Canada	$ 3,154	$ 8,823	$ 12,214	$ 24,191	$ 25,838	2.7%-15.0%
United States	1,475	4,124	9,726	15,325	15,729	3.6%-14.1%
	$ 4,629	$ 12,947	$ 21,940	$ 39,516	$ 41,567	

	1998					
	Carrying Value					
	Term to Maturity					
	1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 903	$ –	$ –	$ 903	$ 911	3.4%-6.1%
Bonds	1,800	8,203	19,830	29,833	31,294	3.5%-13.8%
Mortgage loans	1,735	5,470	2,952	10,157	10,093	4.0%-14.5%
	$ 4,438	$ 13,673	$ 22,782	$ 40,893	$ 42,298	
Geographic						
Canada	$ 3,079	$ 8,946	$ 12,729	$ 24,754	$ 25,868	3.5%-14.5%
United States	1,359	4,727	10,053	16,139	16,430	3.4%-12.9%
	$ 4,438	$ 13,673	$ 22,782	$ 40,893	$ 42,298	

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	1999	1998
Asset Class		
Bonds	$ –	$ 4
Mortgage loans	79	66
Foreclosed real estate	17	37
	$ 96	$ 107
Geographic		
Canada	$ 61	$ 82
United States	35	25
	$ 96	$ 107

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) Great-West no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	1999	1998
Asset Class		
Bonds	$ 21	$ 22
Mortgage loans	156	180
Foreclosed real estate	1	1
	$ 178	$ 203
Geographic		
Canada	$ 57	$ 62
United States	121	141
	$ 178	$ 203

(iii) Changes in the allowance for credit losses are as follows:

	1999	1998
Balance – beginning of year	$ 203	$ 183
Provision for credit losses – normal	(11)	17
– cyclical	(6)	(6)
Recoveries of prior write-offs	9	7
Write-offs – other loans	(9)	(7)
Other – including foreign exchange rate changes	(8)	9
Balance – end of year	$ 178	$ 203

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects Great-West's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance which provides for deterioration of market values associated with real estate held for investment.

	1999	1998
Canada	$ 34	$ 38
United States	–	–
	$ 34	$ 38

(e) Also included in portfolio investments are modified/restructured loans that are performing in accordance with their current terms.

	1999	1998
Canada	$ 103	$ 138
United States	230	271
	$ 333	$ 409

(f) Net investment income of $3,580 million ($3,516 million in 1998) includes amortization of net deferred realized gains (losses) on portfolio investments and unrealized gains (losses) on stocks and real estate as follows:

	1999		
	Canada	United States	Total
Bonds	$ 106	$ 22	$ 128
Mortgage loans	15	1	16
Stocks	76	4	80
Real estate	10	–	10
	$ 207	$ 27	$ 234

	1998		
	Canada	United States	Total
Bonds	$ 101	$ 21	$ 122
Mortgage loans	14	2	16
Stocks	84	4	88
Real estate	1	–	1
	$ 200	$ 27	$ 227

(g) The balance of net deferred gains (losses) on portfolio investments sold is comprised of the following:

	1999		
	Canada	United States	Total
Bonds	$ 622	$ 83	$ 705
Mortgage loans	46	1	47
Stocks	413	12	425
Real estate	12	–	12
	$ 1,093	$ 96	$ 1,189

	1998		
	Canada	United States	Total
Bonds	$ 734	$ 123	$ 857
Mortgage loans	63	1	64
Stocks	477	13	490
Real estate	11	–	11
	$ 1,285	$ 137	$ 1,422

3. PLEDGING OF ASSETS

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	1999		
	Canada	United States	Total
Derivative transactions	$ –	$ 4	$ 4
In respect of repurchase agreements	–	–	–
In respect of real estate	120	–	120
In respect of reinsurance agreements	123	–	123
	$ 243	$ 4	$ 247

	1998		
	Canada	United States	Total
Derivative transactions	$ –	$ 1	$ 1
In respect of repurchase agreements	–	–	–
In respect of real estate	112	–	112
In respect of reinsurance agreements	70	–	70
	$ 182	$ 1	$ 183

4. ACTUARIAL LIABILITIES

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	1999				
	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
Individual					
Life	$ 8,785	$ 6,155	$ 671	$ 3,231	$ 18,842
Annuity	71	5	4,257	1,118	5,451
Health	–	–	163	17	180
Group					
Life	–	–	500	266	766
Annuity	36	7	2,238	5,794	8,075
Health	–	–	2,075	230	2,305
Reinsurance	–	–	4,405	–	4,405
Property & casualty	–	–	12	–	12
Total	$ 8,892	$ 6,167	$ 14,321	$ 10,656	$ 40,036

	1998				
	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
Individual					
Life	$ 8,127	$ 6,210	$ 609	$ 3,201	$ 18,147
Annuity	80	6	5,023	1,327	6,436
Health	–	–	162	16	178
Group					
Life	–	–	485	282	767
Annuity	38	9	2,434	6,625	9,106
Health	–	–	2,018	254	2,272
Reinsurance	–	–	4,212	–	4,212
Property & casualty	–	–	10	–	10
Total	$ 8,245	$ 6,225	$ 14,953	$ 11,705	$ 41,128

4. ACTUARIAL LIABILITIES *(cont'd)*

(ii) The composition of the assets supporting liabilities and surplus is as follows:

1999	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Life	$ 7,191	$ 2,377	$ 57	$ 2	$ 5,313	$ 14,940
Annuity	82	33	2	–	2	119
Non-Participating						
Life	3,436	361	39	3	829	4,668
Annuity	8,611	4,205	183	21	387	13,407
Health	1,517	607	26	–	335	2,485
Reinsurance	1,853	–	54	–	2,498	4,405
Property & casualty	12	–	–	–	–	12
Other	5,528	1,264	265	776	1,598	9,431
Capital and surplus	2,167	95	183	304	1,040	3,789
Total Balance Sheet Value	$ 30,397	$ 8,942	$ 809	$ 1,106	$ 12,002	$ 53,256
Geographic						
Canada	$ 16,600	$ 7,535	$ 740	$ 947	$ 6,455	$ 32,277
United States	13,797	1,407	69	159	5,547	20,979
	$ 30,397	$ 8,942	$ 809	$ 1,106	$ 12,002	$ 53,256
Fair Value	$ 29,593	$ 9,059	$ 888	$ 1,271	$ 12,002	$ 52,813
Geographic						
Canada	$ 16,146	$ 7,660	$ 809	$ 1,103	$ 6,455	$ 32,173
United States	13,447	1,399	79	168	5,547	20,640
	$ 29,593	$ 9,059	$ 888	$ 1,271	$ 12,002	$ 52,813

1998	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Life	$ 6,623	$ 2,354	$ 59	$ 2	$ 5,299	$ 14,337
Annuity	53	64	2	–	14	133
Non-Participating						
Life	2,985	351	36	3	1,202	4,577
Annuity	9,794	5,119	186	22	288	15,409
Health	1,606	568	27	–	249	2,450
Reinsurance	2,195	–	53	–	1,964	4,212
Property & casualty	10	–	–	–	–	10
Other	5,421	1,365	269	773	2,221	10,049
Capital and surplus	2,027	156	160	272	933	3,548
Total Balance Sheet Value	$ 30,714	$ 9,977	$ 792	$ 1,072	$ 12,170	$ 54,725
Geographic						
Canada	$ 16,444	$ 8,249	$ 719	$ 950	$ 6,116	$ 32,478
United States	14,270	1,728	73	122	6,054	22,247
	$ 30,714	$ 9,977	$ 792	$ 1,072	$ 12,170	$ 54,725
Fair Value	$ 32,068	$ 10,415	$ 829	$ 1,174	$ 12,170	$ 56,656
Geographic						
Canada	$ 17,343	$ 8,639	$ 747	$ 1,045	$ 6,116	$ 33,890
United States	14,725	1,776	82	129	6,054	22,766
	$ 32,068	$ 10,415	$ 829	$ 1,174	$ 12,170	$ 56,656

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $40,628 million ($41,773 million in 1998). The fair value of these assets is $40,050 million ($43,104 million in 1998).

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, annuity reserves and London Life's group life and health claim reserves have been established using cash flow valuation techniques. All other reserves have been determined using the policy premium method.

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Participating Policyholders		Non-Participating Policyholders		Total	
	1999	1998	**1999**	1998	**1999**	1998
Balance – beginning of year	**$ 14,470**	$ 13,129	**$ 26,658**	$ 25,449	**$ 41,128**	$ 38,578
Reclassification	**–**	–	**111**	(6)	**111**	(6)
Normal change						
– new business	**7**	(25)	**1,149**	2,146	**1,156**	2,121
– in force	**858**	969	**(2,279)**	(2,423)	**(1,421)**	(1,454)
Material assumption changes	**95**	–	**–**	–	**95**	–
Foreign exchange rate changes	**(371)**	397	**(662)**	1,042	**(1,033)**	1,439
Acquisitions	**–**	–	**–**	450	**–**	450
Balance – end of year	**$ 15,059**	$ 14,470	**$ 24,977**	$ 26,658	**$ 40,036**	$ 41,128

The reclassification in 1999 consists primarily of a transfer of provisions for adverse deviations from experience refunds to actuarial liabilities.

In 1999 assumption changes were made to provide for future policyholder obligations.

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that the reserves are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality – A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update Great-West's experience valuation mortality table for life insurance. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity – Great-West uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment returns – The assets which correspond to the different liability categories are segmented. From each segment, current returns together with reinvestment assumptions are used to derive interest rates to value future events. These interest rates are reduced to provide for projected asset default losses and reinvestment risk. For the cash flow valuation technique, actual asset and liability future cash flows are used in determining the policy liability amounts.

Expenses – Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Great-West has no experience with specific types of policies or its exposure is limited. Great-West has reflected the emerging trend of lower lapsation on lapse supported benefits in its reserves.

Policyholder dividends – Policyholder dividends are included in future policy benefits at the current scale of policyholder dividends. The Actuary has assumed that policyholder dividends will be changed from the current scale to reflect any differing operating experience of the participating account in future years.

(e) Risk Management

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. The valuation interest rate assumes a declining investment yield in order to incorporate reinvestment risk in the actuarial valuation.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged .19% in Canada and .12% in the United States.

The following outlines the provision for future credit losses on the assets backing actuarial liabilities included in actuarial liabilities which are in addition to the allowance for asset losses included with assets:

	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
December 31, 1999	**$ 164**	**$ 12**	**$ 104**	**$ 48**	**$ 328**
December 31, 1998	$ 156	$ 13	$ 94	$ 62	$ 325

(iii) Reinsurance risk

Large amount claim risk for life and health insurance and property and casualty insurance is controlled by having reinsurance in place for claims over specified maximum benefit amounts (which vary by line of business) and by having consolidated catastrophic accident coverage in place covering up to $200 million of claims from a single event.

Reinsurance contracts do not relieve Great-West from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Great-West. Great-West evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
December 31, 1999	**$ 8**	**$ 25**	**$ 452**	**$ 193**	**$ 678**
December 31, 1998	$ 7	$ 26	$ 308	$ 182	$ 523

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose Great-West to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow Great-West to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 60% of policy liabilities are non-cashable prior to maturity, or subject to market value adjustments or withdrawal penalties.

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short term is future investment returns. Based on the projected cash flows of Great-West as of December 31, 1999, the approximate after tax impact of an immediate 1% increase in the general level of interest rates applied to actuarial liabilities and associated assets would be to increase the fair value of surplus by $5 million. The impact of an immediate 1% decrease would be to decrease the fair value of surplus by $28 million.

5. COMMERCIAL PAPER AND OTHER LOANS

Commercial paper and other loans consist of the following:

	1999			
	Balance Sheet Value			Fair Value
	Canada	United States	Total	Total
Short Term				
Commercial paper and other short term borrowings with interest rates from 4.6% to 5.3%	$ 100	$ –	$ 100	$ 100
Revolving credit in respect of reinsurance business with interest rates from 5.1% to 6.1% maturing within one year	47	–	47	47
Total short term	147	–	147	147
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	155	–	155	163
Other notes payable at interest rates from 4.3% to 9.0%	36	–	36	37
Sub total	191	–	191	200
Capital:				
9.375% Senior debentures due January 8, 2002, unsecured	100	–	100	105
7.25% Subordinated capital income securities redeemable by the Company on or after June 30, 2004, due June 30, 2048, unsecured (U.S.$175)	–	252	252	198
Sub total	100	252	352	303
Total long term	291	252	543	503
Total	$ 438	$ 252	$ 690	$ 650
Interest expense on long term loans	$ 27	$ 13	$ 40	

5. COMMERCIAL PAPER AND OTHER LOANS *(cont'd)*

	1998			
	Balance Sheet Value			Fair Value Total
	Canada	United States	Total	
Short Term				
Commercial paper and other short term borrowings with interest rates from 4.8% to 5.9%	$ 162	$ 61	$ 223	$ 223
Revolving credit in respect of reinsurance business with interest rates from 4.1% to 8.0% maturing within one year	82	–	82	82
Total short term	244	61	305	305
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	145	–	145	156
Other notes payable at interest rates from 4.3% to 9.0%	40	–	40	42
Sub total	185	–	185	198
Capital:				
9.375% Senior debentures due January 8, 2002, unsecured	100	–	100	111
6.875% Senior notes due September 15, 2005, unsecured (U.S. $7)	11	–	11	11
Sub total	111	–	111	122
Total long term	296	–	296	320
Total	$ 540	$ 61	$ 601	$ 625
Interest expense on long term loans	$ 27	$ –	$ 27	

Principal Repayments of Long Term Loans

	Operating	Capital	Total
2000	$ 14	$ –	$ 14
2001	23	–	23
2002	44	100	144
2003	38	–	38
2004	30	–	30
2005 and thereafter	42	252	294
	$ 191	$ 352	$ 543

6. MINORITY AND OTHER INTERESTS

The equity investment of Great-West Lifeco Inc. in Great-West was 100% at December 31, 1999 (99.6 % at December 31, 1998). The minority and other interests of Great-West and its subsidiaries are:

	1999	1998
Participating policyholders' share of undistributed surplus	$ 1,412	$ 1,341
Preferred shareholders	700	700
Minority interests in capital stock and surplus	17	42
	$ 2,129	$ 2,083

During July, 1999 the Company purchased 9,198 London Life outstanding common shares for a total consideration of $52 million including acquisition costs. The acquisition has been accounted for by the purchase method resulting in a reduction in minority interest of $14 million and an increase in goodwill of $38 million.

During October 1999 the Company purchased 6,859 Great-West outstanding common shares for a total consideration of $37 million including acquisition costs. The acquisition has been accounted for by the purchase method resulting in a reduction in minority interest of $9 million and an increase in goodwill of $28 million. Subsequent to this acquisition, Great-West, following a consolidation of common shares, acquired the fractional interests in its common shares which was charged to the capital and surplus accounts of Great-West. As a result of these transactions Great-West Lifeco reduced minority interest by $5 million, charged surplus $13 million and received cash of $1 million. Great-West Lifeco is now the holder of 100% of the issued and outstanding common shares of Great-West.

7. CAPITAL STOCK

	1999		1998	
	Number	Stated Value (thousands)	Number	Stated Value (thousands)
First Preferred Shares:				
Authorized – Unlimited				
Issued and outstanding:				
Series A, 7.50% Non-Cumulative First Preferred Shares	–	$ –	8,000,000	$ 200,000
Series B, 7.45% Non-Cumulative First Preferred Shares	4,000,000	100,000	4,000,000	100,000
Series C, 7.75% Non-Cumulative First Preferred Shares	4,000,000	100,000	4,000,000	100,000
Series D, 4.70% Non-Cumulative First Preferred Shares	8,000,000	200,000	–	–
Series 1, 5.00% Non- Cumulative Class A Preferred Shares	5,192,242	129,806	4,772,468	119,312
Balance, end of year	21,192,242	$ 529,806	20,772,468	$ 519,312
Common Shares:				
Authorized – Unlimited				
Issued and outstanding:				
Balance, beginning of year	373,158,014	$ 1,519,824	186,644,847	$ 1,519,370
Exchanged for shares of Great-West	–	–	47,289	548
Purchased and cancelled under Normal Course Issuer Bid	(904,500)	(3,741)	(374,500)	(1,525)
Issued under Stock Option Plan	258,676	2,226	162,776	1,413
Issued on subdivision of shares	–	–	186,676,929	–
Issued during the year	180,992	2,896	673	18
Issued on acquisition of London Life common shares	1,215,002	29,160	–	–
Issued on acquisition of Great-West common shares	472,061	10,527	–	–
Balance, end of year	374,380,245	$ 1,560,892	373,158,014	$ 1,519,824
Total Capital Stock		$ 2,090,698		$ 2,039,136

The Series A, 7.5% Non-Cumulative First Preferred Shares were redeemed by the Company on April 1, 1999 at a price of $25 per share.

The Series B, 7.45% Non-Cumulative First Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after December 31, 2002 or convertible to common shares of the Company at the option of the holder on or after June 30, 2003.

The Series C, 7.75% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after September 30, 2002 and are convertible to common shares of the Company at the option of the Company on or after September 30, 2004. The shares are convertible to common shares of the Company at the option of the holder on or after March 31, 2005.

7. CAPITAL STOCK (cont'd)

On March 10, 1999 the Company issued 8,000,000 Series D, 4.70% Non-Cumulative First Preferred Shares for $25 per share. The shares are redeemable or convertible to common shares of the Company at the option of the Company on or after March 31, 2009 or convertible to common shares of the Company at the option of the holder on or after March 31, 2014.

The Series 1, 5.00% Non-Cumulative Class A Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after October 31, 2004, or convertible to common shares of the Company at the option of the holder on or after January 31, 2005.

During July, 1999 the Company issued 403,487 Series 1, 5.00% Non-Cumulative Class A Preferred Shares for a value of $10 million and 1,215,002 common shares for a value of $29 million in exchange for London Life common shares.

During October, 1999 the Company issued 16,287 Series 1, 5.00% Non-Cumulative Class A Preferred Shares and 472,061 common shares for a total value of $11 million in exchange for 6,859 of the minority common shares of Great-West.

During 1999, 904,500 (374,500 in 1998) common shares were purchased for cancellation pursuant to the Company's Normal Course Issuer Bids for a total expenditure of $21 million ($8 million in 1998) or $22.99 ($22.71 in 1998) per share.

8. STOCK BASED COMPENSATION

The Company has a stock option plan (the "Plan") pursuant to which options to subscribe for common shares of Great-West Lifeco may be granted to certain officers and employees of Great-West Lifeco and its affiliates. The Company's Stock Option Plan Administrative Committee (the "Committee") administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Great-West Lifeco common share on the Toronto and Winnipeg stock exchanges for the five trading days preceding the date of the grant. Options granted under the Plan expire not later than ten years after the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. The maximum number of Great-West Lifeco common shares that may be issued under the Plan is currently 12,000,000.

Three categories of options have been granted under the Plan:

(a) Basic options, which generally become exercisable at the rate of 20% per year commencing on the first anniversary of the grant and expire ten years from the date of the grant.

(b) Contingent Options, which become exercisable only if certain financial targets are attained by Great-West Life & Annuity Insurance Company. Subject to the attainment of those financial targets, Contingent Options either (a) become exercisable on April 1, 2002 and expire on June 26, 2007, or (b) become exercisable at the rate of 25% per year commencing January 1, 1999 and expire on January 27, 2008.

(c) Special Options, which become exercisable only if certain financial targets are attained by Great-West and by London Life Insurance Company. Subject to the attainment of those financial targets, 40% of the Special Options become exercisable on February 28, 2000 and 20% of the Special Options become exercisable on April 22 in each of the years 2001, 2002 and 2003. All of the Special Options expire on April 21, 2008.

The following table summarizes the status of, and changes in, options outstanding and the weighted-average exercise price for the years ended December 31:

	1999		1998	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of year	10,476,824	$ 13.29	8,624,000	$ 11.27
Granted	908,000	24.30	2,122,000	21.33
Exercised	(258,676)	8.60	(162,776)	8.68
Forfeited	(449,000)	19.89	(106,400)	17.32
Outstanding, end of year	10,677,148	$ 14.06	10,476,824	$ 13.29
Options exercisable at year-end	3,649,148	$ 10.22	2,529,000	$ 9.40

The following table summarizes information on the ranges of exercise prices including weighted-average remaining contractual life at December 31, 1999:

	Outstanding			Exercisable		
Exercise Price Ranges	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Expiry
$ 8.48 - $ 9.84	4,992,148	6.61	$ 8.50	2,953,748	$ 8.49	2006
$ 11.26 - $ 16.76	3,088,000	7.62	16.22	502,400	16.20	2007
$ 20.24 - $ 22.28	1,819,000	8.24	21.46	193,000	21.20	2008
$ 22.13 - $ 27.25	778,000	9.36	23.86	–	–	2009

9. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The status of Great-West's pension plans is as follows:

	1999	1998
Assets at market values	$ 1,483	$ 1,414
Accumulated pension obligations at present value	1,183	1,153
Excess of assets over obligations	$ 300	$ 261

The cumulative difference between the amounts expensed and the funding contributions of $66 million ($55 million in 1998) has been reflected in the balance sheet.

In Canada, actuarial valuation reports were prepared as at December 31, 1998. In the United States, an actuarial valuation report was prepared during 1999. Actuarial estimates for 1999 were made based on these reports.

The current period charge for other post retirement benefits provided by Great-West was $14 million ($14 million in 1998). On acquisition of London Insurance Group, an accrued benefit liability was assumed for employees of London Insurance Group. Accounting policies for other post retirement benefits will be harmonized in the year 2000 when the new CICA requirements on Employees' Future Benefits are adopted.

10. RELATED PARTY TRANSACTIONS

In the normal course of business, Great-West provided insurance benefits amounting to $16 million in 1999 ($14 million in 1998) to other companies within the Power Corporation of Canada group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West obtained certain administrative services from Investors Group, a member of the Power Corporation of Canada group of companies. A total expense of $10 million was included in the 1999 financial statements with respect to those services ($2 million in 1998), which was not more than market terms and conditions. Great-West also provided life insurance and disability insurance products under a distribution agreement with Investors Group.

11. INCOME TAXES

(a) Future income taxes consist of the following temporary differences on:

	1999	1998
Policy liabilities	$ 46	$ 28
Portfolio investments	193	270
Other	(80)	(88)
	$ 159	$ 210

11. INCOME TAXES (cont'd)

(b) The Company's effective income tax rate is made up as follows:

	1999	1998
Combined basic Canadian federal and provincial tax rate	44.0 %	44.1 %
Increase (decrease) in the income tax rate resulting from:		
Tax exempt dividends	(1.5)	(1.7)
Tax exempt portion of capital gains	(0.2)	(0.4)
Lower effective tax rates on income not subject to tax in Canada	(6.9)	(7.6)
Investment income tax	2.9	3.5
Large corporations tax	0.1	0.5
Miscellaneous	(1.0)	0.6
Effective income tax rate applicable to current year	37.4 %	39.0 %
Decrease in the income tax rate resulting from prior years' tax adjustments	(3.0) %	(0.7) %
Effective income tax rate	34.4 %	38.3 %

12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, Great-West is an end user of various derivative financial instruments that are not reported on the balance sheet. All contracts are over-the-counter traded and are with counterparties that are highly rated financial institutions.

(a) The following table summarizes Great-West's derivative portfolio and related credit exposure:

	1999				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent	Risk Weighted Equivalent
Interest Rate Contracts					
Futures	$ 354	$ –	$ –	$ –	$ –
Swaps	654	7	5	12	2
Options written	88	–	–	–	–
Options purchased	1,966	6	9	15	3
	3,062	13	14	27	5
Foreign Exchange Contracts					
Forward contracts	771	36	7	43	9
Cross-currency swaps	620	15	40	55	11
	1,391	51	47	98	20
Other Derivative Contracts					
Equity contracts	278	105	24	35	12
	$ 4,731	$ 169	$ 85	$ 160	$ 37
Geographic					
Canada	$ 1,881	$ 161	$ 60	$ 127	$ 30
United States	2,850	8	25	33	7
	$ 4,731	$ 169	$ 85	$ 160	$ 37

	1998				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent	Risk Weighted Equivalent
Interest Rate Contracts					
Futures	$ 25	$ –	$ –	$ –	$ –
Swaps	617	18	2	20	4
Options purchased	1,790	2	8	10	2
	2,432	20	10	30	6
Foreign Exchange Contracts					
Forward contracts	1,064	6	22	28	6
Cross-currency swaps	587	11	35	45	9
	1,651	17	57	73	15
Other Derivative Contracts					
Equity contracts	158	67	14	27	5
Forward rate agreements	146	–	9	9	2
	304	67	23	36	7
	$ 4,387	$ 104	$ 90	$ 139	$ 28
Geographic					
Canada	$ 2,027	$ 91	$ 69	$ 105	$ 21
United States	2,360	13	21	34	7
	$ 4,387	$ 104	$ 90	$ 139	$ 28

(b) The following table provides the use, notional amount and estimated fair value of Great-West's derivative portfolio at December 31:

	1999					
	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes	
	Notional Amount			Total Estimated Fair Value	Notional Amount	Total Estimated Fair Value
	1 Year or Less	1-5 Years	Over 5 Years		2 Years or Less	
Interest Rate Contracts						
Futures	$ 354	$ –	$ –	$ (3)	$ –	$ –
Swaps	60	377	217	(4)	–	–
Options written	–	78	10	(9)	–	–
Options purchased	144	1,822	–	6	–	–
	558	2,277	227	(10)	–	–
Foreign Exchange Contracts						
Forward contracts	65	–	–	(1)	706	36
Cross-currency swaps	54	140	426	(17)	–	–
	119	140	426	(18)	706	36
Other Derivative Contracts						
Equity contracts	33	150	95	94	–	–
	$ 710	$ 2,567	$ 748	$ 66	$ 706	$ 36
Geographic						
Canada	$ 244	$ 247	$ 684	$ 85	$ 706	$ 36
United States	466	2,320	64	(19)	–	–
	$ 710	$ 2,567	$ 748	$ 66	$ 706	$ 36

12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS *(cont'd)*

	1998					
	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes	
	Notional Amount			Total Estimated Fair Value	Notional Amount	Total Estimated Fair Value
	1 Year or Less	1-5 Years	Over 5 Years		2 Years or Less	
Interest Rate Contracts						
Futures	$ 25	$ –	$ –	$ –	$ –	$ –
Swaps	227	349	41	17	–	–
Options purchased	191	1,599	–	1	–	–
	443	1,948	41	18	–	–
Foreign Exchange Contracts						
Forward contracts	136	–	–	–	928	(9)
Cross-currency swaps	78	175	334	(70)	–	–
	214	175	334	(70)	928	(9)
Other Derivative Contracts						
Equity contracts	21	32	105	67	–	–
Forward rate agreements	146	–	–	(12)	–	–
	167	32	105	55	–	–
	$ 824	$ 2,155	$ 480	$ 3	$ 928	$ (9)
Geographic						
Canada	$ 341	$ 309	$ 449	$ 4	$ 928	$ (9)
United States	483	1,846	31	(1)	–	–
	$ 824	$ 2,155	$ 480	$ 3	$ 928	$ (9)

(c) Realized gains (losses) net of tax derived from derivative contracts held for other purposes, associated with the management of the volatility of the foreign currency translation of the United States operations into Canadian dollars was $5 million ($(21)) million in 1998).

13. CONTINGENT LIABILITIES

The Company's subsidiaries are subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the consolidated financial position of the Company.

In addition, at December 31, 1999:

- there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec), and five proposed class actions against London Life (three in Ontario, and one in each of British Columbia and Quebec) related to the availability of policyholder dividends to pay future premiums. The courts have not yet decided whether any of these actions is appropriate for certification as a class action.
- a proposed class proceeding has been commenced in Ontario against the Company, Great-West, London Insurance Group and London Life regarding the participation of the London Life Participating Policyholder account in the financing of the acquisition of London Insurance Group in 1997 by Great-West. The court has not yet decided whether the proceeding is appropriate for class certification.

These actions are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that these actions will have a material adverse effect on the consolidated financial position of the Company.

14. SEGMENTED INFORMATION

The major reportable segments are the Canadian and United States operations of the Company. In Canada, the Company operates through Great-West and its wholly-owned subsidiary London Insurance Group. In the United States, the Company operates primarily through Great-West's wholly-owned subsidiary Great West Life & Annuity Insurance Company. The Canadian and United States segments are also presented by participating and non-participating products.

The major business units for the Canadian operating segment are:

- Group Insurance – life, health and disability insurance products for group clients.
- Individual Insurance & Investment Products – life insurance and disability insurance products for individual clients, accumulation and payout annuity products for both group and individual clients.
- Reinsurance & Speciality General Insurance – life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche business markets.

The major business units for the United States operating segment are:

- Employee Benefits – life, health, disability insurance and 401(k) products for group clients.
- Financial Services – accumulation and payout annuity products for both group and individual clients, as well as life insurance products for individual clients.

(a) Consolidated Operations

Year Ended December 31, 1999

	Canadian Operations					
	Shareholders				Participating Policyholders	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Total	Individual Insurance & Investment Products	Total Canada
Income:						
Premium income	$ 1,742	$ 667	$ 2,075	$ 4,484	$ 1,281	$ 5,765
Net investment income	256	644	379	1,279	915	2,194
Fee and other income	51	223	4	278	–	278
Total income	2,049	1,534	2,458	6,041	2,196	8,237
Benefits and Expenses:						
Paid or credited to policyholders	1,567	898	2,310	4,775	1,772	6,547
Other	349	378	52	779	274	1,053
Net operating income before income taxes	133	258	96	487	150	637
Income taxes				140	94	234
Net income before minority and other interests				347	56	403
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries						
Participating policyholders				–	63	63
Preferred shareholder dividends				28	–	28
Minority shareholders' interest				12	(7)	5
				40	56	96
Net income before goodwill amortization				307	–	307
Amortization of goodwill				59	–	59
Net income				$ 248	$ –	$ 248

Summary of Net Income

	Total	Participating Policyholders	Total Canada
Preferred shareholder dividends	$ 33	$ –	$ 33
Net income – common shareholders	215	–	215
Net income	$ 248	$ –	$ 248

Year Ended December 31, 1999

	United States Operations					
	Shareholders			Participating Policyholders		
	Employee Benefits	Financial Services	Total	Financial Services	Total U.S.	Total Company
Income:						
Premium income	$ 1,542	$ 818	$ 2,360	$ 401	$ 2,761	$ 8,526
Net investment income	144	813	957	429	1,386	3,580
Fee and other income	815	130	945	(1)	944	1,222
Total income	2,501	1,761	4,262	829	5,091	13,328
Benefits and Expenses:						
Paid or credited to policyholders	1,247	1,354	2,601	788	3,389	9,936
Other	996	198	1,194	27	1,221	2,274
Net operating income before income taxes	258	209	467	14	481	1,118
Income taxes			138	(6)	132	366
Net income before minority and other interests			329	20	349	752
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries						
Participating policyholders			–	20	20	83
Preferred shareholder dividends			6	–	6	34
Minority shareholders' interest			1	–	1	6
			7	20	27	123
Net income before goodwill amortization			322	–	322	629
Amortization of goodwill			1	–	1	60
Net income			$ 321	$ –	$ 321	$ 569

Summary of Net Income

Preferred shareholder dividends	$ –	$ –	$ –	$ 33
Net income – common shareholders	321	–	321	536
Net income	$ 321	$ –	$ 321	$ 569

Year ended December 31, 1998

	Canadian Operations					
	Shareholders				Participating Policyholders	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Total	Individual Insurance & Investment Products	Total Canada
Income:						
Premium income	$ 1,746	$ 676	$ 2,725	$ 5,147	$ 1,261	$ 6,408
Net investment income	231	680	271	1,182	918	2,100
Fee and other income	47	170	20	237	–	237
Total income	2,024	1,526	3,016	6,566	2,179	8,745
Benefits and Expenses:						
Paid or credited to policyholders	1,596	934	2,844	5,374	1,715	7,089
Other	350	327	90	767	313	1,080
Net operating income before income taxes	78	265	82	425	151	576
Income taxes				119	96	215
Net income before minority and other interests				306	55	361
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries						
Participating policyholders				–	60	60
Preferred shareholder dividends				28	–	28
Minority shareholders' interest				11	(5)	6
				39	55	94
Net income before goodwill amortization				267	–	267
Amortization of goodwill				58	–	58
Net income				$ 209	$ –	$ 209

Summary of Net Income

Preferred shareholder dividends	$ 28	$ –	$ 28
Net income – common shareholders	181	–	181
Net income	$ 209	$ –	$ 209

14. SEGMENTED INFORMATION *(cont'd)*

Year ended December 31, 1998

	United States Operations					
	Shareholders			Participating Policyholders		
	Employee Benefits	Financial Services	Total	Financial Services	Total U.S.	Total Company
Income:						
Premium income	$ 1,198	$ 1,207	$ 2,405	$ 424	$ 2,829	$ 9,237
Net investment income	140	856	996	420	1,416	3,516
Fee and other income	660	106	766	–	766	1,003
Total income	1,998	2,169	4,167	844	5,011	13,756
Benefits and Expenses:						
Paid or credited to policyholders	967	1,826	2,793	798	3,591	10,680
Other	809	157	966	30	996	2,076
Net operating income before income taxes	222	186	408	16	424	1,000
Income taxes			136	10	146	361
Net income before minority and other interests			272	6	278	639
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries						
Participating policyholders			–	6	6	66
Preferred shareholder dividends			7	–	7	35
Minority shareholders' interest			1	–	1	7
			8	6	14	108
Net income before goodwill amortization			264	–	264	531
Amortization of goodwill			–	–	–	58
Net income			$ 264	$ –	$ 264	$ 473

Summary of Net Income

Preferred shareholder dividends	$ 8	$ –	$ 8	$ 36
Net income – common shareholders	256	–	256	437
Net income	$ 264	$ –	$ 264	$ 473

(b) **Consolidated Balance Sheet**

December 31, 1999

	Canada			United States			
	Share-holders	Participating Policyholders	Total	Share-holders	Participating Policyholders	Total	Total Company
Assets							
Invested assets	$ 15,087	$ 12,292	$ 27,379	$ 13,345	$ 6,424	$ 19,769	$ 47,148
Goodwill	1,658	–	1,658	36	–	36	1,694
Other assets	2,850	390	3,240	946	228	1,174	4,414
Total assets	$ 19,595	$ 12,682	$ 32,277	$ 14,327	$ 6,652	$ 20,979	$ 53,256
Segregated funds assets			15,730			17,998	33,728
Total assets under administration			$ 48,007			$ 38,977	$ 86,984
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 15,216	$ 10,551	$ 25,767	$ 11,386	$ 6,280	$ 17,666	$ 43,433
Net deferred gains on portfolio investments sold	536	557	1,093	92	4	96	1,189
Other liabilities	1,152	370	1,522	1,034	160	1,194	2,716
Minority and other interests	717	1,204	1,921	–	208	208	2,129
Capital stock & surplus	1,974	–	1,974	1,815	–	1,815	3,789
Total liabilities, capital stock and surplus	$ 19,595	$ 12,682	$ 32,277	$ 14,327	$ 6,652	$ 20,979	$ 53,256

December 31, 1998

	Canada			United States			
	Share-holders	Participating Policyholders	Total	Share-holders	Participating Policyholders	Total	Total Company
Assets							
Invested assets	$ 16,224	$ 11,608	$ 27,832	$ 14,645	$ 6,441	$ 21,086	$ 48,918
Goodwill	1,658	1	1,659	30	–	30	1,689
Other assets	2,434	553	2,987	840	291	1,131	4,118
Total assets	$ 20,316	$ 12,162	$ 32,478	$ 15,515	$ 6,732	$ 22,247	$ 54,725
Segregated funds assets			12,959			15,435	28,394
Total assets under administration			$ 45,437			$ 37,682	$ 83,119
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 15,849	$ 9,978	$ 25,827	$ 12,523	$ 6,340	$ 18,863	$ 44,690
Net deferred gains on portfolio investments sold	549	736	1,285	131	6	137	1,422
Other liabilities	1,334	307	1,641	1,155	186	1,341	2,982
Minority and other interests	742	1,141	1,883	–	200	200	2,083
Capital stock & surplus	1,842	–	1,842	1,706	–	1,706	3,548
Total liabilities, capital stock and surplus	$ 20,316	$ 12,162	$ 32,478	$ 15,515	$ 6,732	$ 22,247	$ 54,725

15. ACQUISITIONS

(a) Allmerica Group Life and Health Business

In October, 1999, Great-West Life & Annuity Insurance Company (GWL&A) a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement (the Agreement) with Allmerica Financial Corporation (Allmerica) to acquire, via assumption reinsurance, Allmerica's group life and health insurance business on March 1, 2000. GWL&A anticipates the purchase price to be approximately $50 million of which $36 million will be due on March 1, 2000 with the remaining amount due on March 1, 2001.

(b) General American Group Life and Health Business

Effective January 1, 2000, GWL&A will coinsure the majority of General American Life Insurance Company's (General American) group life and health insurance business. The agreement is expected to convert to an assumption reinsurance agreement by January 1, 2001, pending regulatory approval. GWL&A will assume approximately $216 million of policy reserves and miscellaneous liabilities in exchange for an equal amount of cash and other assets from General American.

(c) Anthem Health & Life Insurance Company

In July, 1998, GWL&A paid $126 million in cash to acquire all of the outstanding shares of Anthem Health & Life Insurance Company. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the net assets acquired based on their estimated fair values. The fair value of tangible assets acquired and liabilities assumed was $581 million and $485 million, respectively. The goodwill representing the purchase price in excess of fair value of net assets acquired is being amortized over 30 years on a straight-line basis.

16. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

AUDITORS' REPORT

To the Shareholders of Great-West Lifeco Inc.

We have audited the consolidated balance sheets of Great-West Lifeco Inc. as at December 31, 1999 and 1998 and the summaries of consolidated operations, the consolidated statements of surplus and the consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
February 2, 2000

FIVE YEAR SUMMARY

(in millions of dollars except per common share amounts)

		1999
AT DECEMBER 31		
Life insurance in force (face amount)	$	471,078
Annuities in force (funds held)		47,255
Health insurance in force (annualized premiums)		9,238
Total assets under administration		86,984
FOR THE YEAR		
Premium and fee income including risk premiums, self-funded premium equivalents and segregated fund deposits		
Life insurance		3,323
Annuities		6,373
Health insurance		8,169
Reinsurance		2,023
Property & casualty insurance		52
Fee and other income		1,222
SUMMARY OF CONSOLIDATED OPERATIONS		
Income		
Premium income	$	8,526
Net investment income		3,580
Fee and other income		1,222
		13,328
Benefits and Expenses		
Paid or credited to policyholders		9,936
Commissions		601
Operating expenses		1,550
Premium taxes		123
Provision for integration costs		–
Net operating income before income taxes		1,118
Income taxes – current		378
– future		(12)
Net income before minority and other interests		752
Minority and other interests of The Great-West Life Assurance Company and its subsidiaries		
Participating policyholders		83
Preferred shareholder dividends		34
Minority shareholders' interest		6
		123
Net income before amortization of goodwill		629
Amortization of goodwill		60
Net income	$	569
SUMMARY OF NET INCOME		
Preferred shareholder dividends	$	33
Net income – common shareholders		536
Net income	$	569
Earnings per common share	$	1.43
Return on common shareholders' equity		17.1 %
Book value per common share	$	8.70
Dividends to common shareholders – per share	$	0.53

1998	1997	1996	1995
$ 477,234	$ 403,104	$ 251,743	$ 249,142
43,936	39,026	24,505	22,202
9,309	6,594	5,092	5,166
83,119	74,206	40,352	36,721
3,425	1,850	1,806	1,756
6,471	4,638	3,293	3,057
7,197	4,866	4,506	4,771
2,646	904	–	–
44	7	–	–
1,003	703	567	525
$ 9,237	$ 4,587	$ 3,532	$ 3,783
3,516	2,185	1,982	1,999
1,003	703	567	525
13,756	7,475	6,081	6,307
10,680	5,723	4,614	4,885
538	286	263	270
1,445	862	671	637
93	71	68	72
–	250	–	–
1,000	283	465	443
216	105	198	158
145	(78)	(49)	9
639	256	316	276
66	(18)	13	10
35	15	13	18
7	1	1	1
108	(2)	27	29
531	258	289	247
58	8	–	–
$ 473	$ 250	$ 289	$ 247
$ 36	$ 31	$ 30	$ 29
437	219	259	218
$ 473	$ 250	$ 289	$ 247
$ 1.17	$ 0.68	$ 0.83	$ 0.69
15.4 %	12.5 %	17.2 %	15.9 %
$ 8.12	$ 7.08	$ 5.07	$ 4.52
$ 0.44	$ 0.37	$ 0.295	$ 0.24

CORPORATE GOVERNANCE

Great-West Lifeco Inc. was formed in 1986 to hold the securities of The Great-West Life Assurance Company, and currently owns all of the voting interest in Great-West Life. Great-West Life operates in Canada both directly and indirectly through its subsidiary London Life Insurance Company, and operates in the United States primarily through its wholly-owned subsidiary, Great-West Life & Annuity Insurance Company. Lifeco is controlled by Power Financial Corporation, which controls, directly or indirectly, approximately 80.94% of Lifeco's outstanding common shares representing approximately 64.99% of the voting interest in Lifeco.

Lifeco believes that sound corporate governance is essential to the well-being of Lifeco and its shareholders. Lifeco currently has no holdings other than securities of Great-West Life, it carries on no businesses or activities that are unrelated to those holdings, and its Board of Directors is identical to the Board of Great-West Life. As a result, the processes and structures that are required to properly direct and manage the business and affairs of Lifeco (i.e. prudent and effective corporate governance practices) have largely been implemented through Great-West Life. Lifeco offers the following comments with respect to its corporate governance practices.

BOARD AND BOARD COMMITTEES

The Board of Lifeco is comprised of 23 Directors, and there are currently three Committees of the Board, namely the Executive Committee, the Audit Committee and the Stock Option Plan Administrative Committee. The mandate of the Board is to supervise the management of the business and affairs of Lifeco. The mandate of the Executive Committee is to supervise the management of the business and affairs of Lifeco when the Board is not in session. The mandate of the Audit Committee is to review the financial statements of Lifeco and public disclosure documents containing financial information and to report on such review to the Board. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The membership of the Audit Committee of Lifeco is identical to that of the Audit Committee of Great-West Life and both Audit Committees have the same Chairman. The mandate of the Stock Option Plan Administrative Committee is to administer Lifeco's Stock Option Plan.

BOARD AND BOARD COMMITTEE COMPOSITION

A majority of the 23 Directors on the Board of Lifeco are "unrelated" to Lifeco. In addition, a significant number of Directors are free from any interests in, or relationships with, either Lifeco or its controlling shareholder.

A majority of the Directors on the Executive Committee are unrelated to Lifeco. The Audit Committee and the Stock Option Plan Administrative Committee are composed entirely of unrelated non-management Directors and the Chairman of the Board is a non-management Director.

BOARD OPERATION

The Chairman's responsibility toward the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, assessment of the effectiveness of the Board as a whole, of the Committees of the Board, and of the contributions of individual Directors, and recommendations, after consultation, concerning Directors' compensation and any change that would improve the workings of the Board, including increases or decreases in its size, as well as development of Lifeco's approach to governance issues.

Committees may, at the expense of Lifeco, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

New members of the Board are provided with an orientation concerning Lifeco and its business.

Management is expected to develop an annual business plan incorporating the business objectives and key results for which management is responsible each year, and to submit the plan to the Board for approval. Management is expected to implement the plan, to achieve the objectives and results, and to report to the Board on its progress.

SHAREHOLDER MATTERS

In addition to the public disclosure documents which Lifeco is required to produce by various regulatory authorities, Lifeco communicates with shareholders through quarterly reports, the annual report and press releases when appropriate. Every shareholder inquiry receives a prompt response from an appropriate officer of Lifeco.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS *(As of December 31, 1999)*

James W. Burns, O.C. [2,3]
Chairman of the Board of the Company
Deputy Chairman,
Power Corporation of Canada

Orest T. Dackow [3]
President and Chief Executive Officer
of the Company

Gail S. Asper [1]
Corporate Secretary,
CanWest Global Communications Corp.

André Desmarais [3]
President and Co-Chief Executive Officer,
Power Corporation of Canada
Deputy Chairman,
Power Financial Corporation

Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee,
Power Corporation of Canada

Paul Desmarais, Jr. [2,3]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Chairman,
Power Financial Corporation

Robert G. Graham [3]
Corporate Director

Robert Gratton [2,3]
President and Chief Executive Officer,
Power Financial Corporation

Charles H. Hollenberg, M.D., O.C. [3]
Senior Consultant,
Cancer Care Ontario

Daniel Johnson [1]
Of counsel to McCarthy Tétrault

Kevin P. Kavanagh [3]
Corporate Director
Chancellor, Brandon University

J. Blair MacAulay [2,3]
Of Counsel to Fraser Milner

The Right Honourable
Donald F. Mazankowski, P.C. [3]
Corporate Director
Business Consultant

William T. McCallum
President and Chief Executive Officer,
Great-West Life & Annuity
Insurance Company
President and Chief Executive Officer,
The Great-West Life Assurance Company –
United States Operations

Raymond L. McFeetors [3]
President and Chief Executive Officer,
The Great-West Life Assurance Company
President and Chief Executive Officer,
The Great-West Life Assurance Company –
Canadian Operations
President and Chief Executive Officer,
London Life Insurance Company

Randall L. Moffat [1]
Chairman and President,
Moffat Communications Limited

Jerry E.A. Nickerson [1,2,3]
Chairman,
H.B. Nickerson & Sons Limited

Gordon F. Osbaldeston, P.C., C.C.
Corporate Director

The Honourable
P. Michael Pitfield, P.C., Q.C.
Vice-Chairman,
Power Corporation of Canada
Member of the Senate of Canada

Michel Plessis–Bélair, F.C.A. [1,3]
Vice-Chairman and Chief Financial Officer,
Power Corporation of Canada
Executive Vice-President
and Chief Financial Officer,
Power Financial Corporation

H. Sanford Riley
President and Chief Executive Officer,
Investors Group Inc.

Guy St-Germain, C.M. [1,3]
President,
Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
President,
Power Communications Inc.

1 member of the Audit Committee
2 member of the Stock Option Plan Administrative Committee
3 member of the Executive Committee

EXECUTIVE OFFICERS

Orest T. Dackow
President and
Chief Executive Officer

D. Craig Lennox
Vice-President, Counsel and Secretary,
United States

Mitchell T.G. Graye
Vice-President, Finance,
United States

Sheila A. Wagar
Vice-President, Counsel and Secretary,
Canada

William W. Lovatt
Vice-President, Finance,
Canada

GLOSSARY OF INSURANCE AND FINANCIAL TERMS

Administrative Services Only (ASO):

An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

Annuity:

A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. An annuity consideration is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

Cash value:

The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Derivative financial instruments:

Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

Swaps are contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.

Options convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.

Forwards and **Futures** are contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Notional Amount is the face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.

Maximum Credit Risk is the current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.

Future Credit Exposure represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.

Credit Risk Equivalent represents the total of maximum credit risk and future credit exposure, less collateral.

Risk Weighted Equivalent represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.

Total Estimated Fair Value is the net of contracts in a receivable position (maximum credit risk) and those in a payable position.

Disability insurance (DI):

A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual DI policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

Employee Benefits Division:

A business unit of Great-West Life & Annuity Insurance Company, Great-West Life's U.S. subsidiary. Employee Benefits markets life, health and disability insurance and 401(k) products on a group basis to corporations and associations.

Experience refund:

The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

Financial Services Division:

A business unit of Great-West Life & Annuity Insurance Company, Great-West Life's U.S. subsidiary. Financial Services markets accumulation and payout annuities for employees in the public/non-profit sector and life insurance products to individuals.

Group Insurance Operations:

A business unit of Great-West Life in Canada, that markets life, health and disability insurance products for group clients.

HMO:

Health Maintenance Organization. A prepaid group health plan available in the U.S., that provides a range of services in return for fixed monthly premiums.

Individual Insurance & Investment Products:

A business unit of Great-West Life in Canada, that markets life insurance and disability income insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

Life income funds (LIFs):

Plans which provide flexible options for receiving income from a company pension plan.

Life insurance in force (face amount):

The amount stated as payable at the death of the insured or at the maturity of the policy.

Managed care:

A method of delivering, supervising and co-ordinating health care. In the United States, this is often through HMOs and other networks of doctors and hospitals. In Canada, managed care often takes the form of co-ordinating treatment and rehabilitation for customers receiving disability benefits.

Minimum Continuing Capital and Surplus Requirements (MCCSR):

A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

Morbidity rate:

The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

Mortality rate:

The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

New annualized premium:

A measure of new sales, equal to the full first-year premium on all sales made during the year.

Non-participating life insurance:

Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI:

Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

Participating life insurance:

Life insurance on which policyholders share in the surplus earnings attributable to the participating business. Dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

Persistency:

A measure of how long a policy or block of policies remains in force.

Point-of-Service (POS) plan:

A comprehensive managed care plan that directs patient care through primary care physicians who serve as gatekeepers and generally refer patients to contracted providers. The plan uses a nationwide network of hospitals and physicians, enhanced utilization management program, and plan design to control costs and promote quality care.

Policy reserves:

Amounts set aside today, which when combined with future premiums and investment income, will provide for future claims and expenses on those claims.

Policyholder dividend:

A refund to the policyholder each year of a portion of the premium based on the company's experienced and anticipated costs. Policy dividends are not guaranteed but depend on mortality experience, investment earnings and other factors and may be increased or decreased at the discretion of the company.

Policyholder surplus:

The amount of participating policyholder assets remaining after all the liabilities have been deducted; the equivalent of shareholder retained earnings for participating policyholders.

Preferred Provider Organization (PPO) plan:

A comprehensive managed care plan in the U.S. that integrates sophisticated cost and quality controls into a fee-for-service plan. Wholesale reimbursement arrangements are negotiated with providers in exchange for redirected patient volume. The plan uses a nationwide network of hospitals and physicians, comprehensive utilization management and an open-ended plan design that offers both saving and flexibility.

Premium income:

The income from sales of insurance policies and retirement savings and income products.

RRIF:

Registered retirement income funds. Savings plans which can be purchased using RRSP funds and pay out as long as the fund balance supports the payments. RRIF payments are taxable while the remaining funds are tax sheltered.

Reinsurance contracts:

These contracts are legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

RRSP:

Registered Retirement Savings Plan. A plan enabling Canadians to establish tax-sheltered accounts to accumulate money toward retirement. Income taxes on contributions and earnings are deferred until the funds are withdrawn.

Section 401(K) plan:

In the United States, a qualified cash or deferred profit sharing or stock bonus plan which allows participants to decide how much of their compensation is deferred. Participant contributions are not taxable until the funds are withdrawn, and sponsor contributions as well as earnings are also tax-deferred to the participant.

Section 403(B) plan, Section 457 plan:

In the United States, a type of employee retirement plan established by certain tax-exempt organizations.

Segregated funds:

Investment funds managed separately from an insurance company's general funds, on behalf of clients.

Term life insurance:

Insurance which provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

Whole life insurance:

Insurance which protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g., payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

Universal life insurance:

A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the policy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest or the applicable index-linked return. The policyholder can specify the premium amount, and change the death benefit after the policy has been issued, subject to restrictions established by the company.

SHAREHOLDER INFORMATION

Registered Office

100 Osborne Street North
Winnipeg, Manitoba
R3C 3A5

Stock Exchange Listings

Symbol: GWO

The Common Shares, First Preferred Shares Series B, C and D, and Class A Preferred Shares, Series 1 are listed on the Toronto and Winnipeg stock exchanges.

Transfer Agent and Registrar

Montreal Trust Company of Canada

6th Floor - 530 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

1800 McGill College Avenue
Montreal, Quebec
H3A 3K9

151 Front Street W., 8th Floor
Toronto, Ontario
M5J 2N1

510 Burrard Street
Vancouver, British Columbia
V7C 3B9

200 Portage Avenue, Mezzanine Level
Winnipeg, Manitoba
R3C 3X2

Dividends

Common Shares and First Preferred Shares Series B, C and D – Dividend record dates are between the 14th and 17th of March, June, September and December. Dividends are usually paid the last day of each quarter.

Class A Preferred Shares, Series 1 – Dividend record dates are between the 14th and 17th of January, April, July and October. Dividends are paid on the last day of January, April, July and October.

Annual Meeting

April 27, 2000 at a location in Winnipeg as specified in the notice of meeting, at 11:45 a.m. or as soon thereafter as the Annual Meeting of The Great-West Life Assurance Company shall have terminated. (The Great-West Life Annual Meeting begins at 11:00 a.m.)

Investor Information

For financial information about Great-West Lifeco Inc., please contact:

Canadian Operations:
Chief Financial Officer (204) 946-7341

United States Operations:
Chief Financial Officer (303) 737-6770

For copies of the Annual or Quarterly Reports, contact the Secretary's Department at (204) 946-8366 or visit our web site: **www.gwl.ca**

Normal Course Issuer Bid

The Company has renewed its normal course issuer bid, through the Toronto Stock Exchange, from December 1, 1999 to November 30, 2000. Under the bid, the Company intends to purchase for cancellation, up to but not more than 3,500,000 common shares of the Company, representing .934253% of the outstanding common shares at November 16, 1999.

This is the 13th normal course issuer bid by the Company. Shareholders may obtain a copy of the Bid, at no charge, by contacting the Corporate Secretary's Department.

Common Share Investment Data*

	Market Price per Common Share ($)			Dividends Paid ($)	Dividend Payout Ratio	Dividend Yield**
	High	Low	Close			
1999	**31.25**	**17.35**	**23.35**	**0.53**	**37.1%**	**2.2%**
1998	27.13	16.75	26.00	0.44	37.6%	2.0%
1997	19.50	9.98	19.25	0.37	38.1%	2.5%
1996	11.44	7.19	10.63	0.295	35.8%	3.2%
1995	7.19	5.41	7.19	0.24	34.8%	3.8%
1994	6.38	4.82	5.54	0.20	33.7%	3.6%

* *In September 1998, the Company's common shares were subdivided on a 2 for 1 basis. 1998 and previous year data are presented on a subdivided basis.*
** *Dividends as percent of average high and low market price.*

Great-West Lifeco Inc.

Member of the Power Financial Corporation group of companies

E987 (99 Lifeco)

Printed in Canada